Valuation Office
Agency

VALUATION OFFICE AGENCY

ANNUAL REPORT & ACCOUNTS 2021-22

HC 768

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ANNUAL REPORT & ACCOUNTS 2021-22

For the period 1 April 2021 to 31 March 2022.

Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed 1 December 2022..

HC 768

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at communicationsteaminbox@voa.gov.uk.

ISBN: 978-1-5286-3748-0
E-Number: E02811990

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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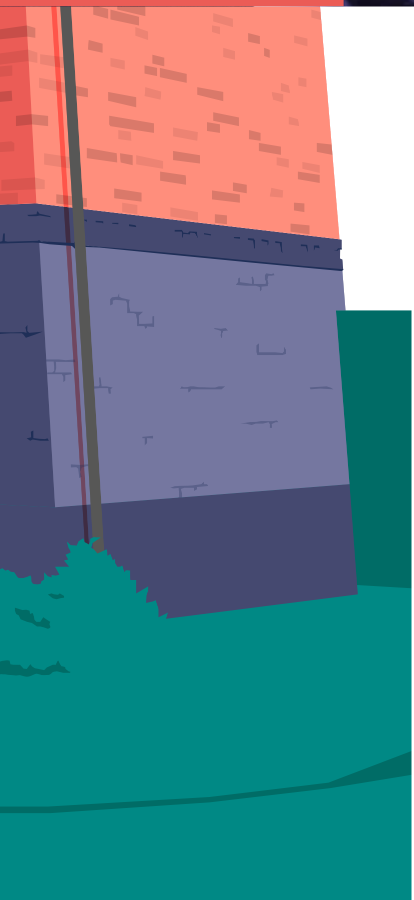
FOREWORD BY JONATHAN RUSSELL

CHIEF EXECUTIVE

Welcome to the Valuation Office Agency's annual report and accounts for 2021-22.



Like many organisations, we have again experienced a challenging year. However, we have continued to deliver a strong operational performance despite this and have met all but one of our performance targets.

I am incredibly proud of everything the agency has achieved over the past 12 months. We have worked hard to deliver our vision to be a world-leading provider of public sector valuations.

Improving the customer experience

Our commitment to delivering excellent customer experience has been at the heart of our work this year. We are putting our customers at the centre of what we do, using what we know about them to design and deliver better services.

We have continued to make improvements to our check and challenge service, which have had a positive impact for our customers and colleagues. These include looking at how we organise our work, for example, moving to a national approach for triaging and allocating challenge casework. This simplified approach has helped deliver a better experience for our customers and improved our productivity. Like last year, we are very aware of the impact COVID-19 has had on our customers and their businesses and continue to prioritise hardship and older cases.

We are also making fundamental changes to how we work through our Business Systems Transformation programme, which is redesigning and simplifying all our core systems. This year saw colleagues starting to trial some of the new technology, which has brought to life the huge opportunities and efficiencies these changes will bring. We have also introduced new, more flexible data structures and technology systems.

Delivering trusted valuations

We continued work begun last year to deliver the 2.1 million valuations needed for the 2023 business rates revaluation across England and Wales to a compressed three-year timescale, and at a time when the economic circumstances meant collecting the evidence was challenging. We have also started preparing for the next revaluation in 2026.

Following the Government's announcement on the outcome of the Business Rates Review in October 2021, we began work in partnership with HM Treasury, HMRC and the Department for Levelling Up, Housing and Communities (DLUHC) to implement these important reforms. In parallel, we have supported the Welsh Government in their proposals for council tax reform in Wales.

A great place to work

Our people are crucial to what we do, so having an engaged and motivated workforce is a key priority. Results for the year show we again improved our performance in this area, with another rise in our People Survey scores.

Our employee engagement index increased by four percentage points to 66%. I'm pleased to see both year-on-year improvement and to have achieved our highest ever engagement score. It is important to me that people feel happy and supported working at the agency, and this is an area we continue to focus on.

This year, we ran two phases of our Valuing our Future programme, bringing senior leaders together with colleagues to talk about key issues in the agency. We have also implemented hybrid working, offering colleagues more flexibility depending on the nature of their role.

During 2021-22, we saw 787 people join the agency. This included many talented students and graduates. Our work to create a pipeline of future surveyors is proving successful. By the end of the year, we had 423 people on surveyor pipeline schemes, 97 existing colleagues gained professional qualifications.

What we do matters

Our business rates and council tax valuations make possible the collection of local government taxation, which is typically over £50 billion. These funds are reinvested into our communities, providing crucial support, especially as we continue to recover from the pandemic.

We have met all but one of our performance targets this year, and overall performance remains strong. We are planning further improvements for our customers. This has been a significant achievement for the agency and all our colleagues given the competing priorities we have had to balance around delivery of the Revaluation 2023 alongside recovering core services back to pre-pandemic levels and the risks and challenges we have managed in dealing with COVID-19 Materiel Change of Circumstances and the once in a generation transformation of our systems.

I continue to be struck by the hard work and commitment colleagues in the agency demonstrate. Their embrace of new ways of working, change and improvement mean I'm confident we are very well placed to continue to deliver for our customers, stakeholders and the wider community.

Our people are crucial to what we do, so having an engaged and motivated workforce is a key priority. Results for the year show we again improved our performance in this area, with another rise in our People Survey scores.

Jonathan Russell, CB
Chief Executive
22 November 2022

WHO WE ARE AND WHAT WE DO

3,800

People based on full-time equivalents, as at 31 March 2022

35

offices throughout England, Scotland and Wales

Who we are

The VOA is an executive agency of HM Revenue and Customs (HMRC). We employ approximately 3,800 people, based on full-time equivalents, with offices in 35 locations throughout England, Scotland and Wales.

Core purpose

We are the public sector's property valuation experts and advisers, providing the valuations needed to support local taxation and benefits; our work underpins the funding of vital public services.

Vision

To be a world-leading provider of public sector valuations.

Strategic objectives

Our three strategic objectives that we delivered against during 2021-22 are to:

- Provide trusted property valuations efficiently
- Deliver an excellent customer experience
- Be a great place to work.

What we do

The work we do typically enables the collection of over £50 billion[1] of revenue in non-domestic rates (NDR - also known as business rates) and council tax in England and Wales, which helps to fund local public services. We also help determine fair rents and housing allowance received, as well as undertaking property valuation work for a range of public sector clients.

Business rates

We compile and maintain statutory rating lists of the rateable values for over two million non-domestic properties, typically enabling the collection of over £15 billion[1] in business rates by billing authorities throughout England and Wales.

Council tax

We compile and maintain statutory valuation lists of council tax bands for over 26 million domestic properties, typically enabling the collection of approximately £35 billion[1] in council tax throughout England and Wales.

Housing allowances

We determine Local Housing Allowance rates and maintain a register of fair rents, setting the maximum that can be charged for regulated tenancies in England.

We advise local authorities of the maximum subsidy level payable for housing benefit claims under the local reference rent system. We also collect and interpret rental data on residential properties, which is used to inform parts of the benefits system and reporting for Consumer Prices Index including owner occupiers' housing costs (CPIH).

Statutory valuations

We provide statutory valuations to support taxes administered by HMRC. We deal with Right to Buy determinations and Community Infrastructure Levy appeals in England and Wales. We also provide the Department for Work and Pensions (DWP) with valuations to support the administration of benefits.

District Valuer Services

We provide a range of independent property advice and valuations throughout the public sector, in cases where a public function or public money is involved.

1 Source: Country and regional public sector finances: Financial year ending March 2021 (ONS). Typically total council tax and business rates revenue is around £60 billion. In 2020-21 it was lower due to COVID-19 business rates exemptions.

PERFORMANCE REPORT

PERFORMANCE ANALYSIS

Central and local government rely on our valuations to ensure customers pay the right property taxes.

96%

of our business rates reports were cleared within 90 days

505,400

council tax reports resolved

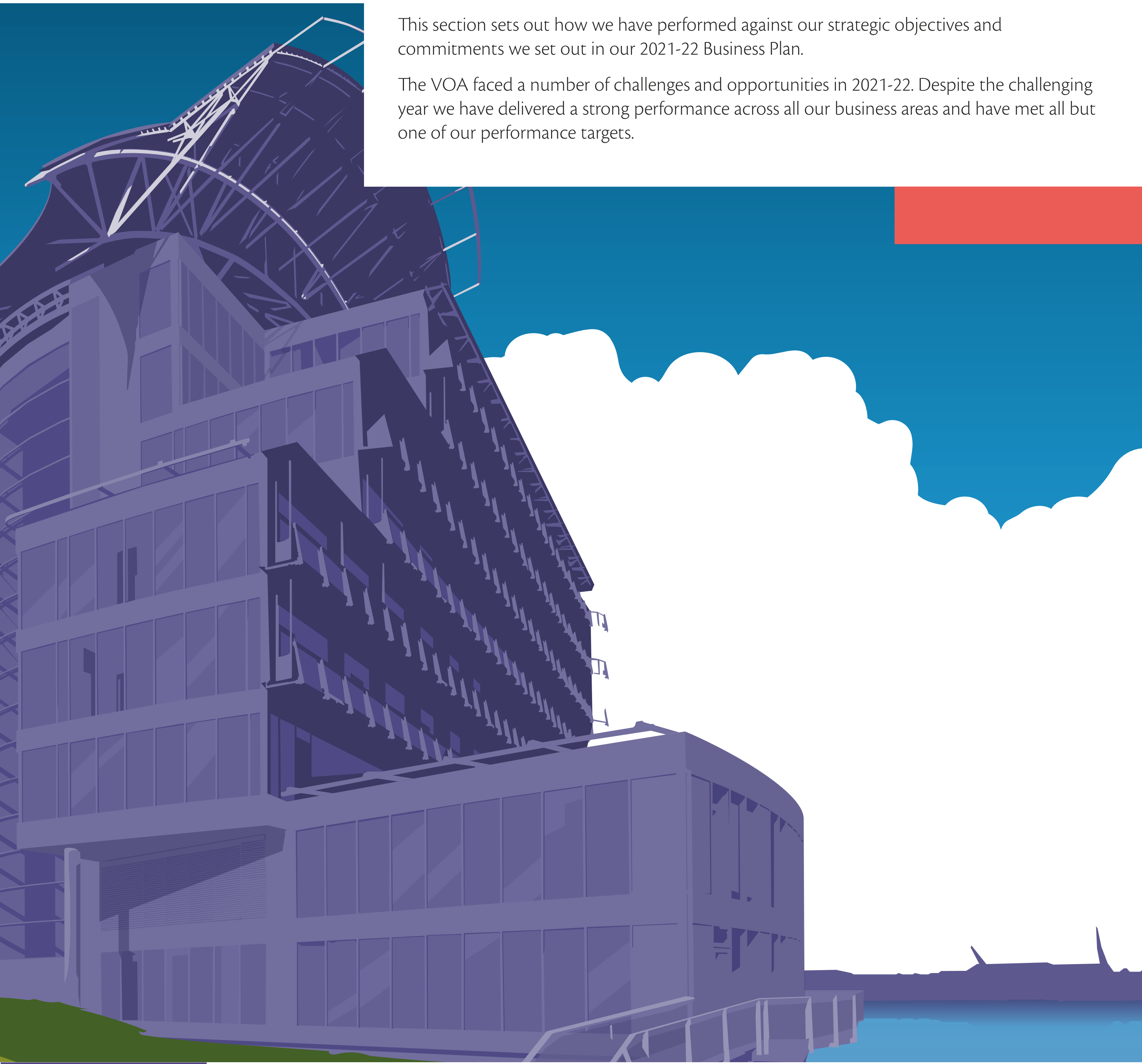
17%

increase on the previous year

REVIEWING OUR PERFORMANCE

This section sets out how we have performed against our strategic objectives and commitments we set out in our 2021-22 Business Plan.

The VOA faced a number of challenges and opportunities in 2021-22. Despite the challenging year we have delivered a strong performance across all our business areas and have met all but one of our performance targets.



Objective One

PROVIDE TRUSTED PROPERTY VALUATIONS EFFICIENTLY

Central and local government rely on our valuations to ensure customers pay the right property taxes. To do this we must deliver a service our customers, clients and stakeholders can trust; and do so as efficiently as possible.

Business rates revaluation

Revaluations are designed to ensure that business rates are based on up-to-date property values. This maintains fairness in the system by redistributing the total amount payable to reflect changes in the property market.

The next revaluation will take place in 2023, with an antecedent date of 1 April 2021, and we have responded to the challenge of delivering it to a compressed timetable. On 1 September 2021 we started carrying out the 2.1 million valuations needed for the 2023 revaluation across England and Wales and since then have made good progress towards delivering the programme.

Business rates

During 2021-22 we raised and investigated 154,400 maintenance reports after receiving information about property changes from billing authorities or customers. This is part of our work to maintain both the 2010 and the 2017 business rating lists.

As at 31 March 2022 we had 8,400 outstanding appeals against the 2010 rating list. These largely relate to cases that had been held up pending the outcome of litigation in the relevant courts. Over the life of the 2010 list, we have resolved around 1.1 million appeals with 71% resulting in no change to the list.

Against the 2017 list we had 20,100 outstanding appeals, these are for Wales only as England cases are dealt with under the check and challenge service.

In 2021-22 we resolved a total of 26,600 appeals relating to both the 2010 and 2017 list.

Check and challenge service

The check and challenge service in England allows businesses to check the facts held about their properties and view their valuation details before deciding whether to challenge their valuation.

During 2021-22 we:

- registered 78,340 checks and resolved 94,180. This compares with 409,400 checks registered and 393,560 resolved over the whole of 2020-21.
- registered 21,200 challenges and resolved 67,160. This compares with 68,830 challenges registered and 17,150 resolved over the whole of 2020-21.

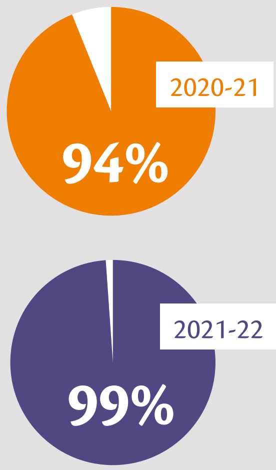
On 5 May 2022, we published statistics on the number of checks and challenges received for the 2017 rating list (England).

As at 31 March 2022, since the service started on 1 April 2017, we had:

- registered 646,650 checks, 638,230 of these checks have been resolved.
- registered 121,870 challenges, 96,500 of these challenges were resolved. There were also 13,960 incomplete challenges which were therefore not accepted.

> Revaluations are designed to ensure that business rates are based on up-to-date property values

Challenge timeliness % resolved within 18 months



51,000

COVID-19 challenges that were outstanding in England have been resolved

COVID-19 Material Change of Circumstances

During 2020-21 there was a substantial increase in the volumes of checks, challenges, and business rates appeals registered, in particular those citing a Material Change of Circumstances (MCC) due to COVID-19 impacts.

On 25 March 2021 the government announced that COVID-19 measures which affect the occupation of a property would not be considered as an MCC for the purposes of business rates valuations. Secondary legislation[2] came into effect on 25 March 2021 which applied to cases received after this date, with primary legislation[3] coming into effect on 15 December 2021, that applied retrospectively to cases that we had already received.

At the same time, the government announced an additional £1.5 billion package to support businesses that had not already received business rates relief. The VOA contacted those ratepayers and their agents who had submitted an MCC challenge to advise them of the changes.

Following the passage of the primary legislation, around 51,000 COVID-19 challenges that were outstanding in England have now been resolved. For the 16,500 appeals in Wales we have written to ratepayers asking them to withdraw their case.

£1.5 billion

package of government support for business

Council tax

We continued to maintain council tax valuation lists by raising and investigating over 505,400 maintenance reports, after receiving information about property changes from billing authorities or taxpayers. This compares with 430,900 maintenance reports cleared the year before.

We cleared 93% of maintenance reports within 90 working days, just below the 95% target. This was due to receiving and resolving significantly more reports from billing authorities than the previous year and a decision to prioritise older cases (19,800 in total) which impacted our timeliness.

2 *Secondary Legislation - The Valuation for Rating (Coronavirus) (England) Regulations 2021*
3 *Primary Legislation - Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021*

Housing allowances

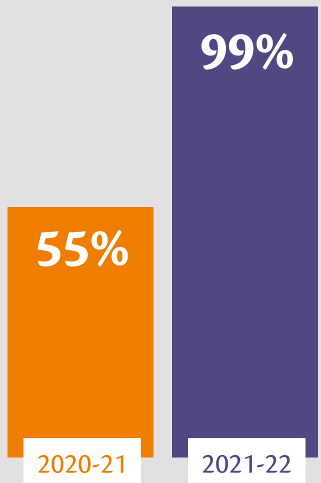
We collect and interpret rental information for domestic properties for use in the operation of parts of the benefit system. In 2021-22 we collected 493,100 items of letting data, determined Local Housing Allowance rates across England and managed a register of fair rents. This register sets the maximum rent that can be charged for a regulated tenancy in England.

Where we were asked to provide advice to local authorities on the maximum subsidy level payable for housing benefit claims under the Housing Benefit referral system, and no inspection was required, we met our target of determining over 99% of referrals within three working days.

We also deal with instances where we are asked to set the maximum rent that can be charged for regulated tenancies. This year we received 22,100 such requests, known as Fair Rent cases, and resolved over 99% within 40 working days, exceeding our 95% target. This represents a significant improvement on last year's position of 55% which was significantly impacted by COVID-19. This was because, up until the pandemic, the Fair Rent process relied on hard copy exchange of documents. We have continued to use more digital ways of working which has improved performance.

We have continued to gather data about lettings in the private rental sector to support the production of the Consumer Prices Index including owner occupiers' housing costs (CPIH) measure of consumer inflation. CPIH includes a measure of owner/occupier housing costs based on this data. Our sources for this data included residential letting agents, landlords and bodies representing property owners.

Fair rent timeliness



493,100

items of letting data collected in 2021-22

District Valuer Services

We continued to deliver specialist, independent property advice and valuation services to the wider public sector.

We met all of our contractual commitments to our clients during the year and successfully secured new contracts for public sector projects in England, Scotland and Wales.

Statutory valuations

We provide statutory property advice to public sector clients, including supporting HMRC's work on inheritance tax, capital gains tax and other areas of tax compliance. We also deal with Right to Buy determinations and Community Infrastructure Levy appeals in England and Wales, and provide DWP with valuations to support the administration of benefits.

We cleared initial appraisals for HMRC within an average of four working days, against our five working day target. We completed 90% of DWP cases within seven working days, well above our 80% target, providing valuation advice to support the administration of benefits.

Valuation integrity

We assure the quality of our work across the range of our business. Our compliance team undertakes specific valuation integrity checks on a sample of cases, assessing the quality of casework, and ensuring we continue to produce valuations of the highest quality.

The agency uses a qualitative approach to measuring quality based on valuation outcomes and customer experience. An overall assurance rating is provided by our valuation assurance team of either exceed, reliable, partial or unsatisfactory.

We achieved a valuation integrity score of 'reliable' across our non-domestic rating, council tax, housing allowances and district valuation services.

Business Systems Transformation

We need to change the way we operate to increase our productivity and improve our customers' experience.

We are in the third year of our ambitious four-year Business Systems Transformation programme which will fundamentally change our core systems and how we work.

It will re-design and simplify our business processes, reducing the need for administrative handling and information-entry, freeing colleagues to focus their time and skills where they add most value.

During the year colleagues began to trial some of the new technology, which has brought to life the significant opportunities and efficiencies these changes will bring. We have also introduced new, more flexible data structures and technology systems.

Continuously improving operational processes

In 2021-22 we continued our approach to continuous improvement, listening to and working with colleagues to identify and deliver improvements to the operational processes they work with every day.

Colleagues have run continuous improvement projects looking at the check and challenge service, non-domestic rating maintenance and council tax maintenance. We also launched a Valuing Your Ideas employee-led scheme to help build a culture of continuous improvement.

“ / ”

We also launched a Valuing Your Ideas employee-led scheme to help build a culture of continuous improvement.

Objective Two

DELIVER AN EXCELLENT CUSTOMER EXPERIENCE

Our aim is to deliver a professional and expert customer service experience. We want to make things as straightforward as possible for our customers; work collaboratively with stakeholders and ensure that we consistently deliver what we promise.

Improvements to check and challenge service

We have continued to listen to stakeholders and conducted user research in order to make further improvements to our online check and challenge service.

This year, for example, we have enhanced our digital correspondence service, adding the ability for customers to upload documents, and making it easier for them to see messages. We have made it clearer for customers to see what stage their case is at and what is involved at each stage. We have also continued to work with agents and their software developers to support them to interact directly with the service.

We developed our internal systems to improve our case handling, so that we can assess and allocate cases more effectively. We now identify incomplete cases more quickly and contact customer to get the information we need. This means we can process challenges faster, which benefits our customers. We have also set up learning academies and updated our guidance for colleagues. This means our customers get a more consistent and timely service.

Improving our customers' experience

We are committed to providing a consistently good service to our customers and continue to look at how we can improve their experience.

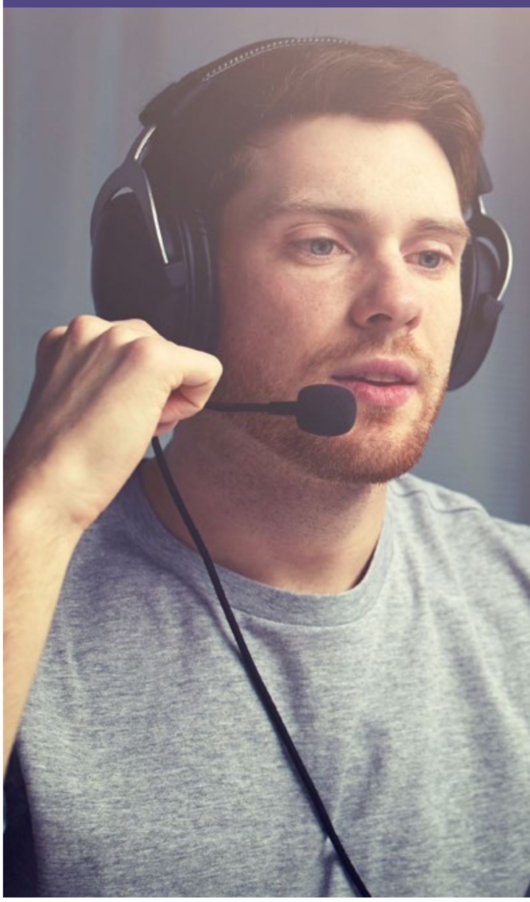
In 2021-22 we published our new customer charter. This sets out the standards of behaviour and values our customers can expect of us, setting out more clearly the experience we want to deliver for them and their responsibilities in return.

Our new customer charter… sets out our values and the standards of behaviour our customers can expect of us. It describes the experience we want to deliver for them and their responsibilities in return.

We refreshed our customer strategy, including our contact and channel strategy, by further developing our customer insight and deepening our understanding of our customer needs.

Our customer experience advisory group continues to raise the profile and increase visibility of customer experience and build a more customer focused culture. Alongside this we have introduced customer journey owners, who are responsible for understanding the experience of our customers and driving improvements to improve their end-to-end journey.

For the first time, our customer service centres received more digital contact than telephone calls



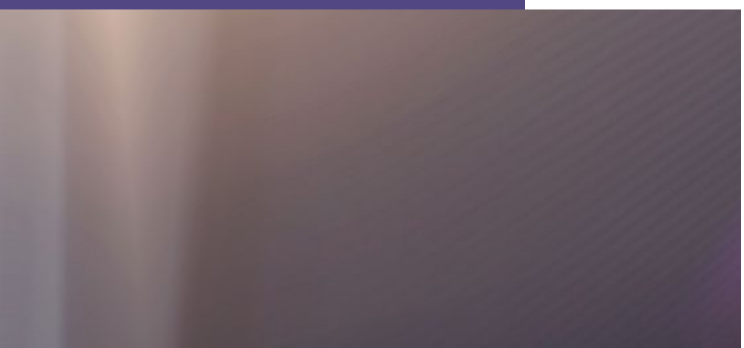
Digital contact

We want to deal with more customers' queries at the first point of contact, reducing the need for them to have to contact us more than once. While we know customers will want to interact with us in a range of ways, increasingly they want to be able to go online to resolve their query – and we are continuing to develop and improve our digital services. We have made improvements to our interactive voice response system and enhanced information available to our customers online, digitising more of our forms.

Our customer services teams are the first point of contact for our customers, dealing with all initial telephone queries and correspondence.

We have consolidated our customer service model, bringing together expertise into two main centres, ensuring consistent service standards. We have also implemented a new system to improve how we manage contact, enabling us to respond to customer demand more easily. We also have a dedicated Welsh Language Service based in Cardiff.

We handled just over 640,000 customer contacts during the year, with 98% dealt with at the first point of contact, like last year. We saw contact through digital channels increase by a further 31% this year and this now forms over half of all our contact. 64% of customers were satisfied with the digital service. We also handled around 292,700 calls, with an average speed of answer of 4 minutes and 15 seconds, well within our 6-minute target.



Quicker response times in CSC

4 mins 15 seconds

2021-22

5 mins 40 seconds

2020-21

We have continued to look at how we can improve our customer correspondence. We undertook a review of our written contact based on insight, testing our approach with customers, and updating our communications standards.

We have further developed our online support and digital services to make it easier for customers to self-serve or find information online.

The number of customers and agents registered with our check and challenge service grew further, 235,445 as at 31 March 2022, and we continue to make improvements to the service based on their feedback.

During the year, 3,419,000 people checked their business rates valuation through GOV.UK. This was almost double the previous year as customers sought a reduction in their rateable value as a result of COVID-19 restrictions. 3,440,000 people have checked their council tax band.

Helping customers who need additional support

We take our obligations under the public sector equality duty seriously and aim to ensure our services are accessible to all our customers.

This year we have reviewed and improved our customer service processes, with that in mind we have made changes to ensure that customers who may need extra support have access to it, updated our internal guidance and delivered equality training to our customer services teams.

These improvements were informed by feedback from our customers, colleagues and from involvement in government best practice forums.

We have also continued to improve our reporting processes so that we can better identify and support those customers who need additional assistance.

Handling customer data and information

Our customers and stakeholders expect us to gather, share and use data in the right way. We treat confidentiality seriously as it underpins the public's trust and confidence in the work we do.

We handle all our data, including customer data, with the utmost care and in accordance with our legal obligations. Over the year, we have continued to work closely with HMRC and other organisations on our cyber and data security controls, including technical defences, response capabilities and ensuring staff awareness of good practice.

We have put training and guidance in place to continue to support our compliance of the General Data Protection Regulation (GDPR) and will continue with our progress in complying with the regulation.

During 2021-22 there were 118 personal data related incidents. Of these, 23 were assessed as low risk and 95 were assessed as medium risk. None required reporting to the Information Commissioner's Office.

Handling complaints

Most of our customers use our services without any problems, but we recognise that we do not always get things right and complaints can help us identify how we can improve. By listening to our customers and acting on their feedback, we can identify steps to put matters right.

In 2021-22 we received 762 complaints, this is broadly the same as the prior year. We resolved 771 complaints during the year, of which 40% were fully or partially upheld.

If customers are dissatisfied with our decision, they have the right to seek further independent scrutiny by the Adjudicator's Office and then ultimately they can request an investigation by the Parliamentary Ombudsman.

The Adjudicator provides a fair and unbiased investigation of complaints. In 2021-22 the Adjudicator investigated 34 cases, of which 29 were out of remit, 4 not upheld, 1 partially upheld with no cases fully upheld. One formal complaint was referred to the Ombudsman for investigation and was partially upheld.

Working with our stakeholders

We continued to engage with stakeholders through a number of regular forums attended by representatives of local authorities, professional bodies, businesses and agents – and continued to talk to trade associations and sector stakeholders as part of the 2023 revaluation and also the Business Rates Review.

Objective Three

BE A GREAT PLACE TO WORK

We are continuing to build a more inclusive environment for all our people, one that engages and motivates us all to perform at our best and makes the VOA a great place to work.

Building our surveyor pipeline

We remain one of the largest employers of chartered valuation surveyors in the UK, and are recognised for our excellent training, flexibility and the significant variety of our work.

Recruiting and retaining qualified surveyors is challenging for both the public and private sector.

As well as recruiting qualified surveyors, we continue to develop our own people through a range of programmes. We build relationships with universities to attract talented students and graduates to provide a pipeline of future surveyors.

The agency has 423 graduates, university placement students, apprentices and caseworkers working to obtain surveying qualifications. This includes 199 ‘Level 6 chartered surveyor’ and 57 ‘Level 3 surveying technician’ apprenticeships. This year 55 of our graduates and ‘Level 6 chartered surveyor’ apprentices joined our surveyor workforce.

Alongside this, eight colleagues qualified through the Royal Institution of Chartered Surveyors (RICS) approved specialist assessment qualification which takes account of their professional experience, to achieve chartered status.

In addition to building our surveyor pipeline we are also looking at how we make best use of our surveyor resource, both in terms of the work they do and how they can be used more effectively.

423

graduates and people working to obtain surveying qualifications

55

qualified and joined surveyor workforce

Developing professionalism

We are committed to strengthening and retaining the right skills across all our job roles. We have a multi-skilled workforce with a range of professional qualifications and experience, with around 90% of our people working in operational roles.

This year, 787 colleagues joined the agency including customer service staff, as well as qualified surveyors and other caseworkers. Owing to COVID-19 we have continued to welcome, induct and train new colleagues more creatively and many of them remotely.

> Apprenticeships continue to play an integral part in how we develop and build the capability of our workforce.

Apprenticeships continue to play an integral part in how we develop and build the capability of our workforce. Over the past year we have supported 97 of our people to gain professional qualifications. We have 307 of our people enrolled on apprenticeship schemes, with 162 new apprenticeships during 2021-22. We have also exceeded the target for 2.3% of our workforce to be new apprentice starts. We were named as a top 10 apprenticeship employer in government and we also rank in the top 100 list of apprenticeship employers in the country.

Implementing hybrid working

During 2021-22 we have continued to move towards hybrid working, which includes a mix of working from the office and home. We have offered colleagues more flexibility depending on the nature of their role and business need.

To support this, we have updated our HR policies and guidance for line managers and individuals to provide them with the tools they need to do their job effectively.

Building modern, flexible workplaces

We continue to review our estates needs as we move to hybrid ways of working. This will reflect a more flexible approach, what our workforce demands are and where our people need to be based. This will align and support the government's 'Levelling Up' agenda and the Places for Growth programme.

We have improved our working environments, investing in our existing offices, as well as completing moves to government hubs, to ensure we have high-quality, digitally enabled and safe workspaces for our people.

We moved our Birmingham, Cardiff, Glasgow and Nottingham offices into the new HMRC regional centres, and relocated our offices in Aberdeen, Exeter, Oxford and Southampton. With the closure of our office in Halifax we now have 35 offices.

66%

our overall engagement score

increased by four points

9%

increase to our leadership and change score

We have invested £2.5 million in improving our working environments, this included the refurbishment of existing offices as well as the move to regional centres. We have decreased our desk capacity by a further 3% and now over 90% of our offices operate with flexible working space, an increase of 10% in the year.

Leadership and engagement

Our leaders and managers play an important part in making the VOA a great place to work. We continued to invest in colleagues at every level in the agency to help them develop their leadership skills.

As part of this, we launched three programmes to build leadership and confidence through structured learning, as well as continuing our 'Valuing our Future' programme. During 2021-22 the executive committee and senior leaders held over 130 sessions across all of our offices. We communicated a clear and compelling vision of the agency's future to our colleagues, we listened to our employees and took action in response to feedback.

All of our senior leaders personally committed to our new leadership habits launched during this year. These are a set of principles that explain what good leadership looks like in the agency. We developed these principles based on feedback from our colleagues from our 'Valuing Our Future' engagement events. They told us feeling supported, valued and trusted are the most important elements of a great place to work, so we made sure these principles underpin our leadership habits. Alongside the new habits we launched a range of resources to support leadership development including a 360 Development Tool, vlogs and events

This year we rolled the latest series of our 'Valuing our Future' programme, with events held in May and then December 2021 focusing on different aspects of the agency's transformation. The executive committee and senior leaders held over 130 individual virtual and face-to-face sessions across our offices. We saw an increase in the proportion of colleagues who attended; with 90% and 87% of them reporting that they had a better understanding of the future of the agency following each round. We listened to our colleagues and took action in response to feedback..

The findings from our 2021 Civil Service People Survey results were positive, providing a strong indication that our engagement and communications strategies are having a positive impact.

We saw improvements in all nine of the core themes within the People Survey, which measured different aspects of our peoples' experience at work.

In a year that has been very different and challenging, we are pleased with the progress we have made, particularly on our overall engagement score. This was 66%, a four percentage point increase on 2020 and the joint-fourth largest increase across the organisations that took part. It was also positive to see an increase in our leadership and change score which rose by nine percentage points and the increase in our inclusion and fair treatment, which rose by over three percentage points to 86%. While the progress we have made across all the themes is encouraging, we know continued work is needed.

Supporting our people's health, safety and wellbeing

Supporting colleagues' health, safety and wellbeing is an integral part of making the VOA a great place to work. Our approach is delivered through a range of policies and activities championed by the Executive Committee.

During 2021-22 we maintained our excellent safety record. The number of health and safety incident reports received was 16, a reduction compared to the 25 recorded in 2020-21, with no significant trends or issues being identified. There was one reportable incident, under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), with no reportable incidents in the prior year.

The VOA's wellbeing strategy focuses on three key themes around psychological, physical and financial wellbeing. In 2021-22 we introduced an additional digital theme, to ensure our people are confident in embracing new digital technology and ways of working.

We have updated the package of health and wellbeing support we provide for our people. We have introduced wellbeing confidential support coordinators across the agency, provided wellbeing webinars and workshops and rolled out a flu vaccination programme. This was supported by an ongoing communications campaign. This raised awareness of the support available to colleagues and what steps people could take to improve their own health and wellbeing.

Throughout the last year, we have continually reviewed our estates and HR policies to ensure we put the health and wellbeing of our people first. We took action to protect our people and made sure that our workplaces were COVID-19 secure and that people could work safely from home.

Diversity and inclusion

We are committed to promoting equality of opportunity for all and ensuring that equality considerations are an integral part of the way we work. As an employer we will continue to ensure our people represent the communities we serve and that we attract and retain talented colleagues. In March 2021 we published equality objectives for 2020-2024[4], reflecting our priorities on diversity and inclusion.

We have Executive Committee Champions and employee groups in place for ten diversity strands. These groups offer the opportunity for colleagues to share their experiences, and input to what we do.

We continue to prioritise supporting colleagues from lower socio-economic backgrounds and joined HMRC's 'Stride' scheme which provides mentoring for them. This year we started to collect data around social mobility to better understand the experiences of colleagues from a lower socio-economic background and to remove any potential barriers they may face within the workplace.

We made progress on our Race Equality Action Plan to improve race equality in the agency, particularly the representation of ethnic minorities at senior levels. This includes providing more learning and development opportunities for ethnic minority colleagues to support them to progress.

We also rolled-out race equality training for managers. We have reinforced these opportunities with training for managers as we continue to build an inclusive workplace which included race equality training workshops.

4 https://www.gov.uk/government/publications/valuation-office-agency-equality-objectives-2020-2024

We have strengthened our speaking up safely process to enable colleagues to more easily report any potential incidents that happen in the workplace.

We have refreshed our workplace adjustment policy and best practice guidance to support colleagues and line managers, and provided diversity and inclusion awareness sessions for colleagues.

Improving our technology

Investment in better IT and mobile technology enables our people to work more effectively, whether they are in the office or working remotely – and our teams can collaborate more closely to provide a joined-up service to our customers.

On 1 April 2019 our digital and IT team integrated with HMRC's. Since then, work has continued to align our core technology and digital functions with HMRC for the benefit of our people and customers.

The final part of our technical integration was completed in June 2021, with new and more powerful laptops delivered to everyone in the agency and we continued to make improvements to our network infrastructure.

We also rolled out new mobile phones, Microsoft Teams online calling service and migrated key data to SharePoint. We have also introduced a new workforce management tool for our contact centres.

These improvements make our people's day-to-day work easier, providing them with a better experience and enabling smarter ways of working to support hybrid working.

We have continued to build the resilience of our IT services and address the technical debt of our IT estate, updating our infrastructure and services. Our Business Systems Transformation programme will fundamentally transform our core systems, with the first services expected to go-live in 2023.

In addition, we have updated our externally facing services, such as the check your council tax service, to adhere to the government policy on accessibility. As well as investing to tackle technical debt, we are ensuring that we have arrangements in place so that we do not allow problems to reoccur and that we maintain our IT estate going forward.

MEASURING OUR PERFORMANCE

We have designed our approach to performance management to ensure our Executive Committee, our Board, our managers and our people all know the extent to which we are meeting our targets in an efficient and effective manner.

In 2021-22, we published a one-year business plan with a set of performance measures and targets to measure ourselves against. The table below sets out our performance against these.

For 2021-22 we met all our performance targets apart from council tax maintenance timeliness, which was just below target. This was due to an increased demand on our council tax service and our decision to clear older cases.

For 2021-22 we revised the target for handling challenge cases to focus on reducing the number of older challenge cases, meeting the 18-month statutory deadline, prioritising hardship cases and clearing less complex challenge cases as quickly as we can.

This reflected the operational pressures placed on the agency resulting from the impact of COVID-19 and the need to deliver the Revaluation 2023 to a compressed timescale.

Measure	Our performance targets	Our 2021-22 performance	Our 2020-21 performance	Result
Timeliness				
Council tax	Clear 95% of reports within 90 working days	93% cleared within 90 working days	97% cleared within 90 working days	Below target
Business rates	Clear 95% of reports within 90 working days	96% cleared within 90 working days	97% cleared within 90 working days	Exceeded
Check and challenge service	Resolve 90% of check cases within three months of receipt	98% resolved within three months of receipt	97% resolved within three months of receipt	Exceeded
	Resolve all challenge cases within 18-months of receipt	99% resolved within 18 months of receipt	94% resolved within 18 months of receipt	Met
Housing allowances	Where no inspections are required, determine more than 96% of housing benefit referrals within three working days	Over 99% of referrals determined within three working days	96% of referrals determined within three working days	Exceeded
Fair rent	Determine 95% of fair rent cases within 40 working days	Over 99% determined within 40 working days	55% determined within 40 working days	Exceeded

Measure	Our performance targets	Our 2021-22 performance	Our 2020-21 performance	Result
Timeliness cont.				
Statutory valuations	Clear all initial appraisals for HMRC within an average of five working days	All initial appraisal cleared within four working days	All initial appraisal cleared within four working days	Exceeded
	Report 80% of DWP cases within seven working days	90% DWP cases reported within seven days	92% DWP cases reported within seven days	Exceeded
Valuation quality				
A check on the quality of our valuation, process compliance and timeliness in making a valuation decision	Achieve valuation quality of at least reliable, across all business areas	Reliable	Reliable	Met
Serving our customers				
How we deal with customer enquiries	Deal with at least 75% of enquiries to our customer contact points at first point of contact	98% of enquiries dealt with at first point of contact	99% of enquiries dealt with at first point of contact	Exceeded

SUSTAINABILITY REPORTING AND OUR ENVIRONMENTAL IMPACT

This year the agency has continued to take practical action to reduce its environmental impact and meet the Greening Government Commitments.

During 2021-22 actions taken include:

- Continued reduction in our greenhouse emissions across the estate and business operations for the twelfth consecutive year.
- Responsibly reduced waste from our Estates Transformation Programme through Reuse of Furniture and Equipment.
- Continued external certification of the agency's Environmental Management System.
- Reviewed the estate to determine the optimum path towards achieving Net Zero Carbon Emissions by 2050.
- Continued to support site facility management and other government departments to reduce the use of single use plastic across the estate.

Becoming more sustainable

We measure how sustainable we are through our progress towards the Greening Government Commitments.

The Greening Government Commitments Framework sets out the actions government departments and their agencies will take to reduce their impacts on the environment between 2021 and 2025. The baseline year for the 2021-25 Framework is 2017-18.

In 2021-22, the agency began working towards the 2021-25 Greening Government Commitments and we have started to make good progress on these, having previously exceeded our performance targets on our previous commitments.

Greening Government Commitment 2021-2025	2017-2018 Baseline	Position at 31 March 2022
Reduce the overall greenhouse gas emissions from estate and operations by 60%	2730 CO_2 e (tonnes)	82% reduction 482 CO_2 e (tonnes)
Reduce direct (Scope 1) greenhouse gas emissions by 40%	351 CO_2 e (tonnes)	89% reduction 37 CO_2 e (tonnes)
Reduce the overall amount of waste generated by 15%	181 (tonnes)	64% reduction 65 (tonnes)
Reduce the amount of waste going to landfill to less than 5% of overall waste	1 (tonnes)	1% to landfill 0.5 (tonnes)
Increase the proportion of waste which is recycled to at least 70% of overall waste	165 (tonnes)	89% recycled 56.5 (tonnes)
Reduce water consumption by at least 8%	4186 (cubic metres)	9% increase 4,556 (cubic metres)
Reduce government's paper use by at least 50%	24850 (reams)	94% reduction 1,591 (reams)
Reduce the numbers of domestic business flights by at least 30%	541	89% reduction 60
Reduce the emissions from domestic business flights by at least 30%	52 (Tonnes)	96% reduction 2 CO_2 e (tonnes)

Key things we did and are continuing to do

1%

of waste to landfill

Greenhouse gas emissions

- Continuing to vacate inefficient buildings, reducing the overall footprint and move into fewer modern energy and resource efficient premises.

Reducing waste sent to landfill

- The majority of our offices have dry, mixed recycling facilities.
- We have 100% coverage with shredding and recycling of our paper waste.
- Proactively plan for and monitor reuse of furniture within our estate.
- Choosing suppliers who commit to recycling equipment and furniture that has reached end of life.

Water

- Relocating to water efficient premises.
- Proactively reminding people to report leaks across the estate.

Paper

- Invested in technology such as use of laptops and tablets, actively encouraging our people to cut their reliance on paper.
- Significantly reducing the number of operational printers when relocating to government hubs or modernising our offices.

Domestic flights

- We have refreshed our travel policies reminding colleagues to make environmentally friendly travel arrangements.

Climate change and biodiversity

We have reduced risk in acquiring property which could be affected by flooding through climate change. We complete flood risk assessments and use the information to help inform decisions on our office locations.

We will review sites where it may be feasible to create a Nature Recovery Plan and will also partner with HMRC and other government departments to develop the biodiversity of green and wooded areas.

Other Greening Government Commitments

We continue to work with HMRC and other government departments to remove consumer single use plastic from our estate.

All food waste will be composted where our office sites measure over 500m² floor, or have over 50 FTE (full time equivalent staff) and are providing a food service.

The agency's Information and Communications Technology (ICT) and digital services are provided through a shared service by HMRC. HMRC's ICT strategy comprises a number of objectives to reduce the impact on the environment, including increased digital working through hybrid ways of working, improved sustainable hardware and a move to Cloud platform environments which use more efficient sustainable energy.

Sustainable Procurement

We continue to buy more sustainable and efficient products and services, with the aim of achieving the best long-term, overall value for money for society.

The Government Buying Standards are embedded in our contracts, and we encourage our suppliers to go beyond the minimum requirements to meet best practice.

To ensure our procurement is as sustainable as possible when going out to market for suppliers we act consistently alongside other government departments, through:

- adopting collaborative deals that are sustainable and offer value for money.
- working with our colleagues to develop pan-government strategies for categories of common goods and services which seek to maximise value for money and sustainable development.

We have also developed our capabilities on sustainable procurement through:

- developing guidance for our procurement practitioners and providing training that focuses on sustainable procurement delivery.
- working with our suppliers collaboratively to identify joint areas for improvement.

We embed and promote sustainability criteria and social value aspects within all sourcing and contract management categories where this is applicable. We ensure that sustainability criteria are reflected within requirement specifications and that suppliers provide us with any necessary sustainability data.

We have adopted a forward-looking commitment approach to advise the market of our future requirements to enable them to respond with more innovative and sustainable solutions.

Sustainable construction

In 2021-22 we managed one high-value refurbishment project within our Durham office. We worked with our construction partner to implement sustainable lighting and plumbing works, meeting BREEAM (Building Research Establishment's Environmental Assessment Method) standards and in line with government requirements.

FINANCIAL COMMENTARY

Our financial performance is set out in the accounts attached to this report in pages 73 to 101.

Over the course of the financial year we have been delivering our operational services, managing our check and challenge service, preparing for the next revaluation of business rates and investing in our Business Systems Transformation programme.

We met the agency's principal financial objective to operate within budget and controls totals set by HMRC. In addition to the parliamentary vote funding we receive from HMRC, we also secure income from the Welsh Government, DWP, and DLUHC for specific work agreed each year. Our District Valuer Services also generate income by providing specialist advice and valuation services to the wider public sector where we secure full cost recovery.

Finance summary

The table below shows the comparison of income and key expenditure areas between 2021-22 and 2020-21.

	2021-22	2020-21
	£'000	£'000
Income	42,515	40,217
Expenditure:		
Staff costs	168,350	152,721
Purchase of goods and services, provision expense and other expenditure	30,123	28,754
Depreciation, amortisation and impairment charges	8,872	11,986
Net operating expenditure	**164,830**	**153,244**

Income

The VOA recovers funding for the full costs of delivering objectives for other government departments, negotiated on an annual basis. Income is also generated from property advice and valuation service contracts to other clients within the wider public sector. 2020-21 saw a slight drop in income owing to the impacts of COVID-19; in 2021-22 our income generation has returned to pre-pandemic levels.

Expenditure

Staff costs

2021-22 Staff costs were £168.4 million (2020-21: £152.7 million) and a detailed breakdown can be found on page 56 within the staff report. The rise in costs was primarily due to increased headcount on service delivery and delivery of the 2023 Revaluation.

We invested £19.9 million in our IT capital assets in 2021-22 to provide infrastructure and equipment to support service delivery.

Purchase of goods and services, provisions and other expenditure

Costs have risen by £1.4 million in 2021-22. This increase has been largely caused by in-year accommodation costs rising.

Depreciation, amortisation and impairment charges

Costs were £8.9 million (2020-21: £12.0 million). The reduction was driven by the re-life of existing assets and disposal of items no longer required following closer digital integration with HMRC.

Investment

We invested £19.9 million in our IT capital assets in 2021-22 to provide infrastructure and equipment to support service delivery. This included investment on the Business Systems Transformation and 2023 Revaluation programmes.

Cash flow

Cash forecasting is working effectively with a target to pay 80% of valid invoices within five days of receipt of the goods, in line with Department for Business, Energy & Industrial Strategy guidance. During 2021-22 92% of invoices were paid within five days.

Transparency

As part of the government's transparency agenda, we publish financial data on the GOV.UK and data.gov.uk websites.

Financial outlook

We delivered against most of our performance expectations in 2021-22, despite the continued challenges that the pandemic presented. We recognise that 2022-23 will continue to be challenging, as we deliver the 2023 revaluation to a compressed timescale and prepare for the next revaluation in 2026, implement our Business Systems Transformation programme, take forward the outcome of the government's Business Rates Review and work with the Welsh Government to help deliver their priorities towards council tax reforms for Wales. There is a significant amount of change to deliver alongside our existing commitments.

The current fiscal environment remains highly uncertain with increasing inflation and interest rates placing greater financial pressure on our supply chain and customers. We continue to expect to see higher costs on our purchased goods and services and estates. There will also be increased demand on our services as our customers seek to challenge their council tax and non-domestic business rates as they face greater economic hardship due to higher costs of living. This coupled together with the amount of change for the agency means there are a number of risks that will need to be managed as we move through the year and over the SR21 period.

Adoption of going concern basis

Our accounts are prepared on a going concern basis. There is no reason to believe the agency will not continue in operational existence for the foreseeable future.

Accounts

The Accounting Officer is not aware of any relevant audit information that the auditor is unaware of, and has taken all necessary steps to make himself aware of any relevant audit information and ensure that the auditor is aware of it.

J Russell

Jonathan Russell, CB
Chief Executive
22 November 2022

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

GOVERNANCE STATEMENT

This governance statement sets out the governance, risk management and internal control arrangements for the agency. It applies to the financial year 1 April 2021 to 31 March 2022 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

Executive agency arrangements

The agency is an executive agency of HMRC. The Chief Executive of the agency is a Treasury appointed Accounting Officer and is accountable for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the conduct of the agency's day-to-day operations and management of the agency, including making changes to the organisation as are necessary to maintain and improve the performance. The Chief Executive is a member of HMRC's Executive Committee.

HMRC's Chief Executive, as Principal Accounting Officer for HMRC, is responsible for ensuring that there is a high standard of financial management in HMRC as a whole, including the agency. The Financial Secretary to the Treasury (in their role as departmental Minister for HMRC) has ministerial responsibility for the agency.

Executive Committee
Sets strategy and oversees business performance, business delivery and transformation delivery

Board
Provides challenge and advice on agency strategy, performance and capability

Board sub-committee

Audit and Risk Assurance Committee
Provides assurance and scrutiny on control, risk and governance

Our governance structure

Our governance structure is summarised in the diagram on this page. The Executive Committee (ExCom) is the primary decision-making forum for the agency and also reviews performance and transformation. The Board provides challenge and advice on the agency's strategy, capability and performance and is, alongside the Accounting Officer, supported by the Audit and Risk Assurance Committee.

This structure enables ExCom to undertake effective and transparent decision-making and provides appropriate challenge and assurance by our non-executives.

Board focus in 2021-22

Strategy
- Agency strategy
- Customer and channel strategy
- Revaluation 2023
- Business Rates Review
- Data strategy

Planning and Performance
- Agency performance data and hub
- Spending Review 2021 and business planning
- Handling COVID MCC's
- Financial planning

Transformation
- Prioritisation of transformation portfolio
- Business Systems Transformation

People
- Diversity and inclusion
- People Survey results
- Health and wellbeing strategy
- Strategic workforce planning
- Estates and ways of working
- Communications strategy

Risk management
- Strategic risk review
- Risk horizon scan and risk appetite

Governance
- Board and ARAC effectiveness

The role of the Board is critical to our success as an executive agency and it provides advice and challenge on the agency's strategy, performance and capability.

The Board

The role of the Board is critical to our success as an executive agency and it provides advice and challenge on the agency's strategy, performance and capability.

The Board consists of the lead non-executive, three other non-executive directors, the Chief Executive, Chief Finance Officer, Chief Strategy and Transformation Officer and the Chief Valuer. Other senior executives attend as the agenda dictates. The Board is chaired by the lead non-executive director, and helps to guide the agency strategically by drawing upon a range of public and private sector expertise.

In 2021-22 the Board met five times and has provided challenge, advice and assurance to the executive team on strategy, business planning, reviewing performance and transformation progress. A key focus for the Board in 2021-22 has been to provide advice and challenge to the VOA's medium to long-term agency strategy. This includes the implementation of the outcomes of the Business Rates Review, delivery of Revaluation 2023 and delivery of the agency's Business Systems Transformation programme.

The Board has one sub-committee, the Audit and Risk Assurance Committee. The agency does not have a separate People, Nominations and Governance Committee as those in the Senior Civil Service (SCS) roles are members of HMRC's SCS and HMRC determines their remuneration within SCS pay policy guidelines. Matters relating to the agency's Diversity and Inclusion strategy, future organisational design, strategic workforce plans and Civil Service People Survey results, are considered by the Board.

Audit and Risk Assurance Committee focus in 2021-22

Annual Report and Accounts
- Agency Annual Report and Accounts (AR&A)
- AR&A lessons learned and planning

Risk management
- Risk management framework
- Risk report
- Deep dive: Technical Health Programme
- Fraud risk assessment

Audit and Assurance
- Head of Internal Audit's annual opinion
- Internal audit planning and management response to issues identified
- NAO planning and completion reports for the AR&A
- Transformation review outcomes
- Valuation integrity assurance
- Business critical models

Resilience and Security
- Business continuity and lessons learnt from agency's COVID-19 response plan
- Cyber security

Controls and processes
- Whistleblowing
- Counter fraud
- Quality assurance of business-critical models
- Business Appointment Rules

Audit and Risk Assurance Committee (ARAC)
ARAC provides independent assurance to the Board and the Accounting Officer on the integrity of financial statements and comprehensiveness and reliability of assurances across the agency on governance, risk management and the control environment.

The committee is chaired by a non-executive director, with one further non-executive director and two non-executive members. The National Audit Office, HMRC Internal Audit, and agency Chief Executive, Chief Finance Officer and/or Director of Finance and Business Planning also attend each meeting. The Committee met five times in 2021-22.

A key area of focus for the committee in 2021-22 was advising and providing assurance on transformation governance, the VOA's technical health programme as well as business continuity arrangements and lessons learned in the response to COVID-19.

Non-executives
Our non-executives bring external experience and expertise to the agency, playing an important role in providing advice, challenge and scrutiny to the work of ExCom and the agency more widely. Our non-executives also contribute their expertise outside the formal Board and Committee structure.

Board effectiveness
A thorough analysis of the Board's effectiveness is conducted on an annual basis through structured questionnaires based on those issued by the Cabinet Office as part of its wider cross-government Board Effectiveness Review. The review is used as an opportunity for the Board to assess progress and ensure there is continuous improvement in the Board's effectiveness and impact. Our Board also regularly reviews its effectiveness as part of the arrangements for each meeting

An independent review of the agency's governance arrangements was undertaken in 2020-21, in line with best practice, by our parent department, HMRC. This found the VOA's governance arrangements were working effectively and complied with best practice identified within HM Treasury Corporate Governance Code. Since then, we have implemented the small number of areas for improvement that were highlighted by the review. One of which was to recruit an additional non-executive director to the Board, to help balance the composition.

Register of Interests

The agency maintains a register of interests of its Board and Committee members to ensure that any potential conflicts of interest can be identified and managed, in line with the Code of Conduct for Board Members of public bodies.

The agency's Board members and members of its sub-committee are required to declare any potential conflicts of interest on appointment and on an annual basis. At the start of each Board meeting members also declare any conflicts of interests in the agenda items for that meeting.

Should a potential conflict of interest be identified, Board and sub-committee members would take no part in any discussion and are not involved in any decisions that relate to that issue. None of the agency's executive or non-executive directors hold any company directorships or other significant interests that might conflict with their responsibilities.

Executive Committee

The Executive Committee (ExCom) is the agency's primary decision-making body. ExCom oversees and assures all the agency's work and is responsible for setting and delivering our strategic objectives. ExCom is chaired by the Chief Executive. Its membership comprises all the executive directors with the Chief Information Officer of VOA Customer Group (HMRC) and the Head of Communications (VOA) as standing invitees. It is the primary forum in which the executive directors make collective decisions.

In 2021-22 ExCom met 22 times to discuss and make decisions on a wide range of strategic, operational and financial issues. Every month ExCom reviews the agency's performance against key performance indicators and other targets and measures and considers opportunities for improvement. It also reviews the status of, and management actions for, key agency risks and issues.

ExCom provides senior governance and oversight for the delivery of the agency's transformation portfolio; this includes prioritisation of the agency's portfolio and resolving issues escalated from programme boards. The key programmes of the transformation portfolio are reviewed on a monthly basis.

In 2021-22 ExCom considered financial planning; through in-year management to ensure funding was optimised and longer-term planning to ensure capacity, capability and risk were appropriately balanced in future years. Other matters covered this year include:

- the check and challenge service including the handling of COVID-19 MCCs and productivity improvements,
- the outcome of the Government's Business Rates Review,
- communications and engagement,
- Revaluation 2023; and
- Business Systems Transformation programme.

In addition, ExCom has continued to recognise and celebrate agency successes as well as lessons learned.

The committee regularly reviews its own effectiveness as part of the arrangements for each meeting.

Meeting attendance by executives and non-executives

	Board	ARAC	ExCom
Non-executive directors			
Sue Hall	4 (5)	-	-
Terry Babbs	5 (5)	5 (5)	-
Richard Hawkins [1]	2 (2)	-	-
Stephen Hughes [2]	3 (3)	2 (3)	-
Cosette Reczek [3]	1 (1)	1 (1)	-
Non-executive members			
Helen Aston	-	5 (5)	-
Robert Milburn [4]	-	3 (3)	-
Chris Wood [5]	-	2 (2)	-
Executives			
Jonathan Russell	3 (5)	2 (5)	18 (22)
Aneen Blackmore	5 (5)	5 (5)	18 (22)
Alan Colston	2 (5)	-	18 (22)
Derek Thomas	-	-	18 (22)
Carolyn Bartlett / Kirsty Wildgoose	5 (5)	-	22 (22)

[1] Richard Hawkins joined as a non-executive director on 22 November 2021.
[2] Stephen Hughes left the VOA on 30 November 2021.
[3] Cosette Reczek joined as a non-executive director and ARAC member on 13 December 2021.
[4] Robert Milburn left the VOA on 30 November 2021.
[5] Chris Wood joined as a non-executive member on 22 November 2021.

Effectiveness of risk management

To help ensure we meet our strategic objectives, it's vital that our risk management framework is operated effectively at all levels across the agency, from operational decision making on individual cases, through to managing change and strategic risks. Everyone in the VOA, from Board level down, has a clear role to play. This section explains how we identify and then address all these risks.

Risk management framework

ExCom establish the risk management framework and sponsor individual complex strategic risks and issues, reviewing them on a regular basis throughout the year. A flow of risk reporting operates through the agency, supported by visual management tools in order to drive effective risk conversations.

A structure of risk forums and registers is embedded in the agency, from individual unit and team level through to agency level. Executive directors are responsible for managing risks within their relevant business area, with risks formally reviewed at group level forums supported by dedicated risk registers.

There is also a network of risk and assurance leads representing each business area in place, which helps develop a consistent approach to risk management across the agency.

The Board provides oversight in ensuring the right accountability, governance and controls are in place to manage risk effectively, setting risk appetite along with completing periodic risk horizon scanning activity. ARAC provides advice and support on risk controls, in addition to completing deep dives on specific risk areas.

We receive regular independent assurance on the effectiveness of risk management across the agency, for example, from Internal Audit and from reviews undertaken across the wider government.

In 2020, the government revised the 'Orange Book', which sets out the risk management principles that all government organisations must apply. We have reviewed our risk management framework and can confirm that it is aligned and fully compliant.

Risk management capability improvements

We are continuously looking for opportunities to enhance risk management capability across the agency. Specifically, in 2021-22 we:

- reviewed our risk management framework and refreshed our Risk Appetite Statement, ensuring it remains in line with new government guidance, helping build a risk aware culture
- further enhanced the quality of information provided to the Board and its subcommittees to enable robust assurance over the management of strategic risks
- refreshed the agency's strategic risks to ensure that ExCom are managing those risks that have greatest potential impact on the organisation
- reviewed our risk appetite and increased our focus and analysis of risk exposure, to help ensure the necessary mitigating actions bring risks within tolerance
- strengthened the link between our top-level risks, our strategic objectives and appetite categories
- ensured that key risks and opportunities arising due to changes to the agency's operating environment have been identified and are being managed effectively
- expanded the agency risk network, supporting closer working to share best practice and build capability
- worked closely with HMRC's risk function to ensure our approach to risk management, including building our maturity, is aligned and proportionate.

Our plans to improve risk management

As part of our commitment to continuous improvement, in 2022-23 we will:

- streamline the tools used for risk management across the agency, to ensure consistency of approach to reporting and managing our risks
- continue to assess our risk management maturity, implementing improvements that help to build risk management capability and effectiveness
- further develop our assurance map, helping us to link our key processes to identified risks, the controls in place to mitigate them and the sources of assurance we have for each.

Strategic risk overview

Our strategic risks are all complex and cross-cutting. They have the potential to impact the delivery of our objectives, public confidence and reputation of the agency and our ability to achieve the efficiencies agreed in the 2021 Spending Review.

During 2021-22 we escalated two risks to the strategic risk register. The first was around delivery of the reforms set out in the government's Business Rates Review. The second was around the handling of COVID-19 MCC challenges. This was mitigated by the passage of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill in December 2021, enabling it to be closed.

We have also expanded the technology risk to explicitly cover cyber security in recognition of the ever-growing cyber threats. This is due to the VOA's technical integration with HMRC, who provide our digital and security services and the interdependencies between technology and cyber risk management. Actions taken to manage cyber security risks in the VOA are aligned with HMRC.

In addition, the risk exposure of two strategic risks changed during 2021-22:

- Funding, affordability and resource capacity: The level of risk facing the agency reduced, following the outcome of the 2021 Spending Review which confirmed funding to deliver our core services and transformation activities.
- Check and challenge service: The VOA's exposure to this risk decreased over the year, primarily due to the continued improvements made to the challenge service and passage of the Rating and Directors Disqualification Bill.

Each of our strategic risks is sponsored by an executive director on behalf of ExCom. The table below describes the risks and the key steps we took to manage them in 2021-22:

Key risk	Key mitigating actions	Risk Rating and Trend [*]
Funding, affordability and resource capacity: there is a risk that we are unable to deliver planned services and transformation outcomes, impacting our ability to deliver future core services.	To manage this risk, we: • refreshed the strategic workforce plan providing greater confidence in the steps taken to identify and address future workforce demand. • reviewed the VOA performance expectations for 2021-22 to reflect the operational impacts from COVID-19. • prepared a robust 2021 Spending Review bid, which highlighted the challenges and risks the agency faces and the funding required to meet our strategic objectives.	
Leadership, capability and motivating our people: there is a risk that ineffective leadership causes disengagement amongst our people, challenging our ability to support the agency's strategic objectives.	During the year we continued to develop our people. We: • introduced a new leadership framework and training programme for new and experienced managers. • delivered our communications and engagement plan which included regular briefings to colleagues including managers and Valuing our Future events. This provided the opportunity for all colleagues to feedback to senior leaders and influence change. • motivated and engaged people through the agency's total reward package (including People Awards, bonus scheme and wellbeing strategy) • developed a more tailored and inclusive approach to recruitment using Success Profiles.	
Technology and Cyber Security: there is a risk of infrastructure failure or security compromise as a result of the technical health of legacy infrastructure, systems, and applications.	To manage this risk we: • established a technical strategy and road map in alignment to business requirements. • developed our capability to support legacy applications and infrastructure. • ensured technology modernisation requirements were factored into future design work. • completed phase 2 of our technical integration with HMRC, providing the VOA with increased capacity and capability to identify, manage and respond to cyber-attacks.	
Managing data and information: there is a risk that we will not be able to access, protect and use the data and information needed to deliver our objectives, support transformation, and comply with legislation.	To ensure the data we hold is reliable, up to date and acted upon we: • developed a new data strategy, setting the vision for how we use, share, and protect our data. • enhanced our Information Governance Framework, ensuring that information risks are identified and managed appropriately • strengthened controls to ensure data is processed safely and securely.	
Delivering change: there is a risk that we are unable to deliver sustainable transformation.	We are delivering an ambitious transformation programme. To manage this effectively we: • continued to engage our leadership team and colleagues in our transformation journey. • enhanced our programme and project management capability. • continued to improve the VOA's programme and project management and change governance framework and supporting tools to support effective delivery of change.	

Key risk	Key mitigating actions	Risk Rating and Trend [*]
Business Systems Transformation: there is a risk that the Business Systems Transformation programme cannot deliver the benefits or outcomes as described in the business case.	To manage this risk we: • used an agile delivery approach, incrementally building and releasing business and technical architecture into a model office for testing. • made progress in building the new systems and infrastructure with geospatial functionality delivered. • worked with government in the Spending Review to secure the support and funding to deliver Business Systems Transformation.	⇔
Revaluation 2023: there is a risk that we are unable to successfully deliver Revaluation 2023.	To manage this risk we: • delivered new digital tools and ways of working to increase evidence collection and to support the valuation work. • worked with local authorities, professional bodies, and trade associations in delivering Revaluation 2023. • worked to ensure we have the skills and resources we need to deliver.	⇔
Non-Domestic Rating Reforms: there is a risk that we will not be able to deliver an effective and sustainable system aligned to the reforms set out in the Business Rates Review.	To manage this risk we: • supported the consultation process for the review, working closely with Ministers and other government departments. • developed a robust Spending Review bid, to secure the funding to implement the required reforms. • Established a programme to oversee and deliver the NDR reforms.	NEW
Check and challenge service: there is a risk that we will not be able to deliver the service, as currently designed, within available resources when volumes increase.	To manage this risk we: • undertook a review of the challenge service identifying improvements to productivity and customer experience. • appointed a single accountable owner for check and challenge service delivery across the agency. • established learning academies to accelerate training of colleagues and updated guidance to ensure cases are worked in a more consistent and effective way.	⇩
Customer Service: there is a risk that the agency does not modernise and adapt our customer service delivery to reflect changing customer behaviours and our strategic priorities.	To manage this risk we: • developed a new customer and channel strategy with a greater focus on using customer insights to deliver an excellent customer service. • appointed customer journey owners for each core service to review and enhance customer experience. • consolidated our customer contact centres into two main offices with a dedicated welsh language provision in Cardiff to support a more consistent and efficient service.	⇔

*Footnote: The trend shows how the risk assessment has changed from April 2021 to March 2022. Downward pointing arrows denote the level of risk has decreased in this time; upward arrows signify that the level of risk has increased.

ACCOUNTING OFFICER'S REPORT

Overview

We follow HM Treasury guidance on internal controls, intended to provide reasonable assurance and maintain propriety. This is a proportionate approach and not intended to eliminate all risk of failure.

Our commitments and resource allocation are published in our business plan and pages 22-23 of this annual report summarises performance against objectives and key performance indicators.

Financial responsibilities within the agency

As the VOA's Accounting Officer I delegate financial authority through annual letters of delegation to each of the executive directors to manage the budget for their business areas within agreed financial limits, spending controls approvals and Managing Public Money guidelines. Each executive director is supported by the Finance Director and dedicated finance support. The executive directors cascade these delegations within their own areas and financial authority limits are set at each stage.

Supporting this scheme of delegations is our financial control framework, to ensure control standards are adhered to in all our financial processes. This helps to mitigate the risk of financial loss through fraud or error, and helps to ensure the integrity of the agency's financial statements. Each executive director has an agreed set of annual objectives which reflects their accountabilities and delegated authorities.

Each executive director has provided a statement to me as Accounting Officer, with their assurances that they have operated a sound system of governance, risk and control in their business area. These statements are reviewed by Internal Audit and Corporate Governance and Risk Management. VOA's ARAC also provides assurance to me on these statements. Key themes from the individual executive director statements and the review process have been discussed with me.

Oversight and scrutiny

We have several forums which provide regular and robust oversight, scrutiny and assurance throughout the year. This includes ExCom, the Board and ARAC and through regular business reviews with HMRC.

Underpinning these senior forums, each individual executive director has their own senior leadership forum for the discussion of performance, risk and issue management for their areas. There is an established process by which issues can be escalated from these to ExCom.

Audit and Risk Assurance Committee (ARAC)

ARAC completed its programme of work for the year and, in addition to reporting to the agency's Board following each of its meetings, has produced an annual report of its work for both my and the Board's consideration. ARAC has not identified any further issues for disclosure.

HMRC sponsorship

The agency has an agreed framework document in place with HMRC which describes the governance structure of the VOA and responsibilities of HMRC and the VOA's Board and ExCom.

External reports and assurance

External reports on the agency are produced as required by external scrutiny bodies including the National Audit Office. We act on the recommendations they make including those within their audit completion report.

Internal audit

Each year ExCom and ARAC agree the annual internal audit plan, taking a risk-based and prioritised approach to identify aspects of the business that should be audited.

As Accounting Officer, I am advised on internal control matters through audit reports (and other assurance reports at ExCom). ARAC also reviews and requires actions on internal audit reports.

Each year the Head of Internal Audit provides an opinion statement to me as Chief Executive, providing assurance on the adequacy of the agency's framework of governance, risk management and control. In 2021-22 this was based primarily on the 14 internal audits undertaken during the year.

An overall rating of 'Moderate' assurance was provided for fourth year running for the year ended 31 March 2022. The following points were highlighted to me in the report:

- Overall, control effectiveness has continued to improve with strong control frameworks in place for key delivery programmes and corporate functions such as finance and HR. Some opportunities to enhance first line operational controls were identified around strengthening line manager checks and sharing lessons learned, though the improved consistency of quality checks and corrective actions was noted.
- ExCom and Board actively manage agency level risks, balancing priorities, funding, and resources to deliver both change and business as usual core services. Despite effective management the VOA's risk profile remains challenging given the scale, complexity and pace of agency change largely associated with the delivery of the Business Systems Transformation programme that we are managing to bring within tolerance.
- There have been improvements in the control environment for transformation. Although challenges remain there is a more matured governance, control, and risk framework in place to support the delivery of the Business Systems Transformation programme.
- Whilst we have an effective GDPR control framework in place, there are opportunities to strengthen the governance and controls on the management of sharing VOA data, noting that no systemic control issues were identified.

Internal control framework

We have also continued our work to improve our overall internal control framework. We have further developed the agency's assurance map, which provides an overview of the controls and sources of assurance for all our key processes. This has enabled us to identify opportunities for improvement in our controls and assurance activity. The assurance map together with an audit needs assessment undertaken by Internal Audit has informed the audit planning for 2022-23.

Compliance with government functional standards

An assessment has been undertaken on the VOA's compliance with the mandatory requirements of the government functional standards. This found that the agency was compliant with the majority of the mandatory elements of the standards. Improvement plans have been developed to increase compliance with both the mandatory and advisory requirements as appropriate.

Significant control issues and current control challenges

I can confirm that the agency has not had any significant control issues during the course of the year.

As highlighted in the Head of Internal Audit Opinion and identified through our Valuation Integrity second line assurance checks, I recognise that there remain controls challenges to address in relation to first line operational controls in some areas though note these are not considered to be systemic.

During the year we have actively taken steps to address these, through streamlining processes, including introducing a more risk-based approach to quality control. In addition, we have revised guidance and provided additional training to help improve awareness and understanding to help ensure controls are applied more consistently and improve compliance. I have also commissioned a review to understand and address the issues identified to further strengthen controls and assurance in this area.

I also recognise the importance of strengthening our control environment around information management and the sharing of data. As such this year we have put in place a new data protection and information management compliance framework, which once embedded should improve internal control. In parallel the agency has undertaken a review to look at the roles and responsibilities around information management and the processes around data sharing. As a result of the findings, we have brought the information management teams together under one senior responsible owner to ensure clearer oversight and accountability and put in place a new end to end process for the sharing of VOA data to enhance controls.

Security

The VOA receives its security provision from HMRC, with an accountable executive director appointed from within the agency. Our processes are aligned with those of HMRC, and we use their security incident reporting and escalation process.

ExCom also receives regular security incident reports, which include details of any personal data related incidents as reported on page 16. An annual security incident report is also presented to ARAC.

Information security

In accordance with our responsibilities under the Data Protection Act 2018 and the principles set out in the General Data Protection Regulations, we have robust arrangements in place to provide for information security.

We have undertaken further improvements to enhance our Data and Information Governance Framework which has been recognised by Internal Audit.

Opportunities have been identified to strengthen the management of the sharing of VOA data as future policy changes will increase the amount of data shared. A single responsible owner has been appointed to oversee this.

ExCom regularly review our information security arrangements. I also receive formal assurance from the agency's Information Asset Owners that information risk has been appropriately managed in the conduct of the agency's business. The Data Protection Officer in HMRC, also oversees the agency.

Quality assurance of business-critical models

A framework is in place to underpin the quality assurance of the agency's business-critical models, and a register of these models is maintained, consistent with the recommendations of the Macpherson Review and Managing Public Money.

Technology

There are several areas where the agency continues to actively manage the Technical Health and associated risk in light of ageing infrastructure, platforms and legacy applications. We recognised that this would increase without significant investment in modernising our applications and IT infrastructure. A review was conducted which assessed the risk and informed our capital investment plans for 2020-21 and beyond. In the latest Spending Review, we have secured funds for the next three financial years that will improve technical health with the associated risks to be brought within agreed tolerance levels.

In 2021-22 we continued to build a robust technical foundation that is fit for purpose, for now and for the future by further integrating with HMRC's IT estate for workplace services and network; investing in stabilising our core application platform (the Central Database), our customer facing systems and transitioning our systems to a strategic datacentre and hosting solutions. In 2023, the Business Systems Transformation programme will also contribute significantly to the improvement of the agency's overall technical health.

Compliance with the Corporate Governance Code of Good Practice

I have assessed the agency's governance arrangements against the requirements set out in the Corporate Governance in Central Government Departments' Code of Good Practice 2017 and confirm that the agency complies with all of the requirements where appropriate.

The code focuses on governance arrangements for ministerial government departments and therefore there are elements not directly relevant as we are an executive agency of HMRC and not a ministerial government department.

For example, the Board does not include ministers and non-executives are appointed on approval from HMRC's Accounting Officer and not the Secretary of State. However, we comply with the spirit and principles of the code to ensure good governance in the agency. This was supported by the findings of the review of our governance arrangements undertaken in spring 2022.

Conclusion

Our overall control framework, risk management and governance arrangements have continued to be strengthened during the year.

We have actively managed the new challenges and risks we have faced. This has included the delivery of the Revaluation 2023 in parallel with recovery of our core services back to pre-pandemic service levels. We are also managing the biggest transformation in the agency's history with the delivery of our Business Systems Transformation programme as well as supporting the government on the implementation of their business rates reforms.

I recognise that the agency, like many other public bodies, will always have multiple risks to manage at any one time, however I am satisfied that the governance arrangements that were in place throughout 2021-22 were resilient and flexible enough to respond to the ever-changing priorities and effectively managed the risks and issues that emerged during the year.

As Accounting Officer, I can confirm that effective governance arrangements were maintained during 2021-22 which comply with relevant guidance including Managing Public Money and the Corporate Governance in central government departments: Code of good practice.

Taking into account the assurances I have received together with the other evidence available to me, I conclude that the agency overall has in place a sound system of governance, risk management and internal control with effective plans to ensure continuous improvement and that the Annual Report and Accounts as a whole is fair, balanced and understandable.

J Russell

Jonathan Russell, CB
Chief Executive
22 November 2022

DIRECTORS' REPORT

Executive Directors

JONATHAN RUSSELL
Chief Executive and Accounting Officer

ANEEN BLACKMORE
Chief Finance Officer

ALAN COLSTON
Chief Valuer

DEREK THOMAS

CAROLYN BARTLETT
Chief Strategy and Transformation Officer

KIRSTY WILDGOOSE
Chief Strategy and Transformation Officer

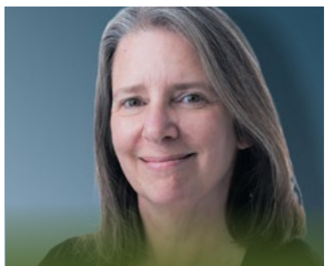
Carolyn Bartlett and Kirsty Wildgoose carry out the role of Chief Strategy and Transformation Officer on a job-share arrangement

Non-executive Directors

SUE HALL
Lead Non-executive Director

TERRY BABBS
Non-executive Director

RICHARD HAWKINS
Non-executive Director



COSETTE RECZEK
Non-executive Director

Directors

Full disclosure of the serving directors for 2021-22 is available in the Governance statement and remuneration report of this document.

Pensions

For information on how the agency's pension liabilities are treated in the accounts, and more details on the pension schemes it operates, please see the remuneration and staff report and note 10 to the financial statements.

Register of interests

For more information on the agency's register of interests, please see page 35 of the Governance statement.

Personal data related incidents

This is reported on page 16.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the agency to prepare for each financial year a statement of accounts in the form, and on the basis set out, in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the agency and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The Permanent Secretary and Principal Accounting Officer of HM Revenue and Customs has designated the Chief Executive of the agency as its Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the agency's assets, are set out in Managing Public Money published by the HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Jonathan Russell, CB
Chief Executive
22 November 2022

ACCOUNTABILITY REPORT

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

This report incorporates the agency's directors' remuneration information and the agency's staff report. The first section will outline the breakdown of each director's total remuneration and pension interest, detailing pay, pension and other benefits. For the purposes of this report "director" has been interpreted to mean any member of the agency's Executive Committee plus our non-executive directors, and thus excludes any other staff who are members of the SCS. The second section will cover details of staff numbers, costs and other staff-related disclosures for the agency.

Director remuneration

Directors, excluding non-executive directors, are members of the SCS and their general terms and conditions of employment are set by the Cabinet Office. HMRC, as the agency's sponsor department, determines the approach to remuneration for SCS in both HMRC and the agency in accordance with the SCS pay policy guidelines. The agency provides a moderated view of overall performance of SCS in the agency before their performance is moderated against the HMRC SCS cadre as a whole.

Contracts, notice periods and termination periods

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The majority of the agency's people, including the directors, are employed on a permanent basis and are subject to statutory and Civil Service conditions of service. The non-executive directors are on renewable three year fixed-term contracts, with the assumption that the agency will not renew their contracts more than once. The agency also employs a number of its people on short-term contracts.

The agency did not make non-cash awards to any directors this year or in the previous year.

Salary and pension entitlements

The following section details the remuneration and pension interest of the agency's directors.

Salaries

These include:

- gross salary
- overtime[5]
- reserved rights to London weighting or London allowances[5]
- recruitment and retention allowance[5]
- private office allowances and any other allowance to the extent that it is subject to UK taxation.[5]

5 No such payments were made during 2021-22.

This report is based on accrued payments made by the agency and thus recorded in these accounts.

Directors' bonus payments

For SCS's in the agency, bonus payments are awarded in relation to the performance of the individual throughout the year. The bonuses reported in 2021-22 relate to performance in 2020-21. The agency pays performance-related pay and bonuses in line with the scheme which applies to the SCS as a whole.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the agency and treated by HMRC as a taxable emolument. The benefits in kind in the table on page 54 for directors relate to travel and subsistence payments paid for travel to a location which, due to the frequency of travel, is deemed to be a permanent place of work or they relate to hospitality provided at external events.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections; three providing benefits on a final salary basis (**classic, premium** or **classic plus**) with a normal pension age of 60 and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switched into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Value shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha**, as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6 and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus**, 65 for members of **nuvos**, and the highest of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement and uses common market valuation factors for the start and end of the period.

Travel and subsistence reimbursements

Directors received payments to reimburse the out of pocket expenses they incurred in carrying out their duties.

Fair Pay

These disclosures are subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the agency (excluding pension benefits) in 2021-22 was £125k-130k (2020-21: £125k-130k). This was 4.11 times (2020-21: 4.25) the median remuneration of the workforce, which was £31,020 (2020-21: £30,000). The increase in employee remuneration for 2020-21 to 2021-22 results from the last year of our three-year pay deal. This drove the decrease in the pay ratios.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021-22	4.95	4.11	2.91
2020-21	5.20	4.25	3.04

	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
	Salary component	Total pay and benefits	Salary component	Total pay and benefits	Salary component	Total pay and benefits
2021-22	£25,750	£25,750	£31,000	£31,020	£43,794	£43,794
2020-21	£24,500	£24,500	£30,000	£30,000	£42,000	£42,000

In 2021-22 (also in 2020-21) no employees received remuneration in excess of the highest paid director. Remuneration for all employees excluding pension benefits ranged from £21,750 to £125k-£130k (2020-21: £19,845 to £125k-£130k).

Annual percentage change in remuneration for directors and employees

Percentage change from prior year	Salary and allowances	Performance pay and bonuses payable
Highest paid director [1]	0	0
Employees	Increased 3.5%	Decreased 8.3%

[1] The highest paid director was paid the same salary and allowances, and received the same bonus in both financial year, leading to no change 0%.

Remuneration

The following two tables provide details of the remuneration and pension interests of the agency's directors.

The information in these tables are subject to audit.

Directors' remuneration information

	Salary (full year equivalent) (£'000)		Bonus Payments (£'000)		Benefits in kind [1] (to nearest £100)		Pension Benefits (to nearest £1,000)		Total remuneration (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Jonathan Russell Chief Executive [2]	115-120	120-125 (115-120)	5-10	5-10	-	-	-	18,000	125-130	145-150
Carolyn Bartlett Chief Strategy and Transformation Officer [3]	75-80	65-70 (75-80)	5-10	0-5	-	-	16,000	81,000 [4]	95-100	145-150 [4]
Aneen Blackmore Chief Finance Officer	110-115	110-115	-	5-10	-	-	43,000	44,000	150-155	160-165
Alan Colston Chief Valuer	95-100	95-100	-	0-5	-	700	17,000	45,000	110-115	140-145
Derek Thomas Chief Operating Officer	95-100	95-100	5-10	0-5	-	-	18,000	127,000	120-125	225-230
Kirsty Wildgoose Chief Strategy and Transformation Officer [3]	75-80	65-70 (75-80)	5-10	0-5	-	-	20,000	73,000	100-105	135-140
Sue Hall Lead Non-executive Director	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Terry Babbs Non-executive Director [5]	15-20 (10-15)	5-10	-	-	-	-	-	-	15-20	5-10
Richard Hawkins Non-executive Director (from 22 Nov 2021)	5-10 (10-15)	-	-	-	-	-	-	-	5-10	-
Stephen Hughes Non-executive Director (until 30 Nov 2021)	5-10 (10-15)	10-15	-	-	-	-	-	-	5-10	10-15
Cosette Reczek Non-executive Director (from 13 Dec 2021)	0-5 (10-15)	-	-	-	-	-	-	-	0-5	-

[1] The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument

[2] Salary for Jonathan Russell in 2020-21 included an element of backdated salary, resulting in the banding for that year being higher than in 2021-22. Jonathan Russell left the alpha scheme on 30 April 2020 and joined the partnership pension from 1 May 2020. Employer contributions to the partnership scheme for 2021-22 totalled £21,300 (2020-21: £19,500) and are not reflected in the table above.

[3] Carolyn Bartlett and Kirsty Wildgoose carry out the role of Chief Strategy and Transformation Officer on a job-share arrangement.

[4] Due to the transition to the alpha pension scheme at 1 April 2021, the 2020-21 value for Carolyn Bartlett has been restated by the pension administrator (previously disclosed as pension benefit £70,000-£75,000 and Total Remuneration £140k-145k).

[5] Salary for Terry Babbs in 2021-22 included a back-dated element for additional responsibilities upon his appointment as ARAC chair during 2020-21, resulting in the banding for this year being higher than his full year equivalent (10-15).

Directors' pensions [1]

	Accrued pension at pension age - as at 31 March 2022 and related lump sum £'000	Real increase in pension age at 65 and related lump sum £'000	CETV at 31 March 2022 £'000	CETV at 31 March 2021 £'000	Real increase in CETV £'000
Carolyn Bartlett Chief Strategy and Transformation Officer	30 – 35 plus lump sum of 65 - 70	0 - 2.5 plus lump sum of 0	521	487	3
Aneen Blackmore Chief Finance Officer	15 - 20	2.5 - 5	152	124	16
Alan Colston Chief Valuer	40 - 45 plus a lump sum of 85 - 90	0 - 2.5 plus a lump sum of 0	781	735	2
Derek Thomas Chief Operating Officer	40 – 45 plus a lump sum of 80 - 85	0 – 2.5 plus a lump sum of 0	686	644	3
Kirsty Wildgoose Chief Strategy and Transformation Officer	25 - 30	0 - 2.5	393	365 [2]	6

[1] Jonathan Russell chose not to be covered by the Civil Service pension arrangements during the reporting year. However, employer contributions were made to the partnership pension account during 2021-22 for Jonathan Russell totalling £21,300.

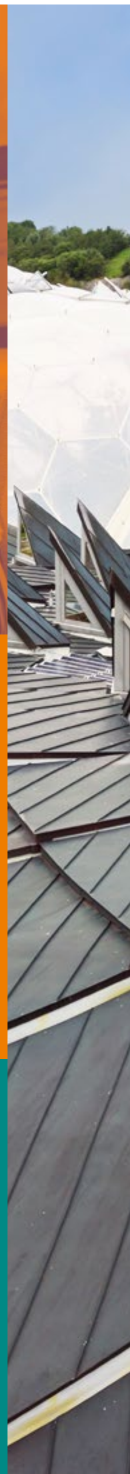
[2] The CETV for Kirsty Wildgoose has been restated at 31 March 2021 due to a retrospective update to salary details by the pension administrator.

STAFF REPORT

Staff numbers and related costs

These figures are subject to audit.

The average number of full-time equivalent persons (including senior management) employed during the year was as follows:

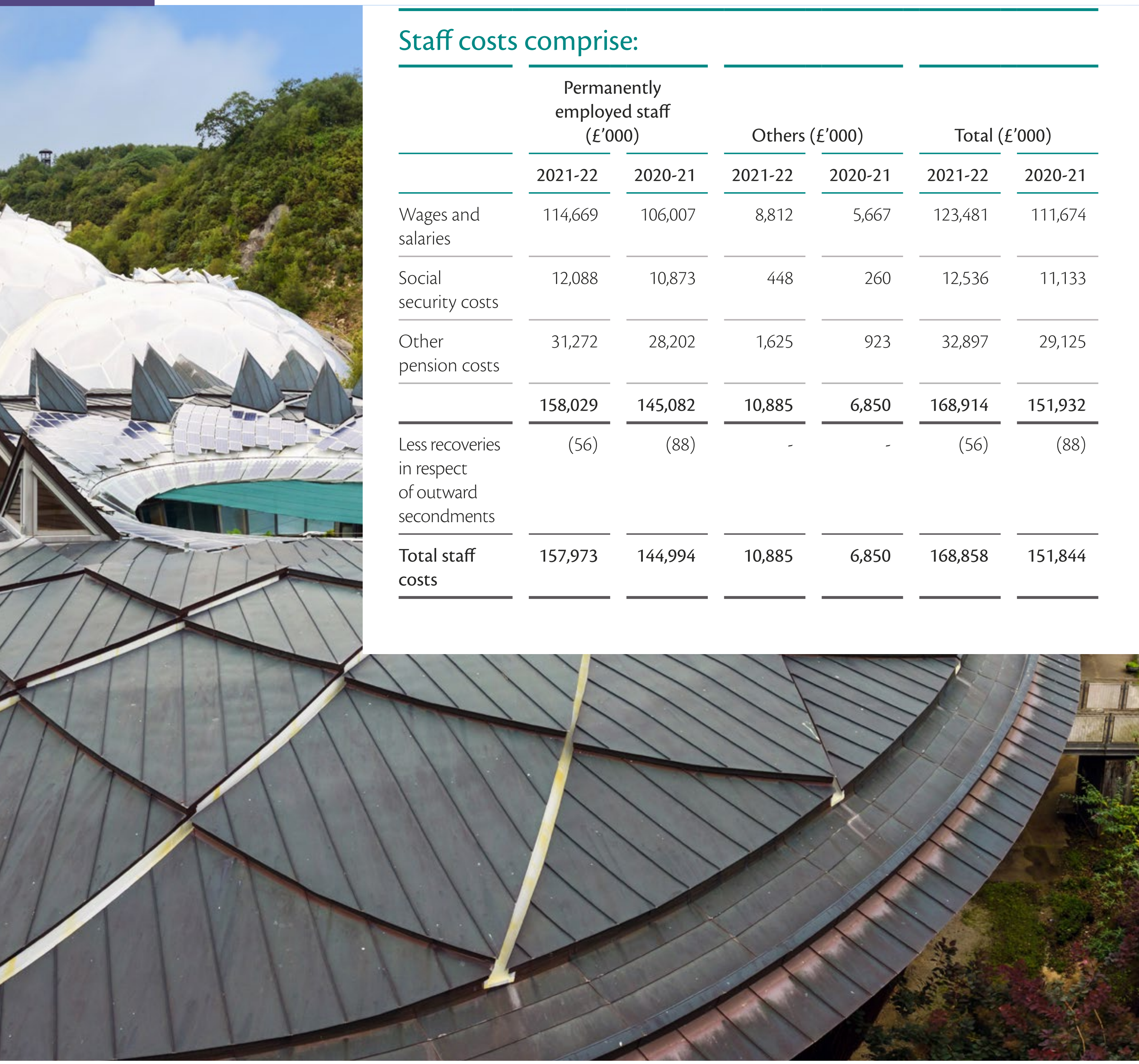


	2021-22	2020-21
Permanently employed staff	3,242	3,040
Others	302	191
Total	3,544	3,231

The agency is committed to supporting ethnic minority colleagues and increasing representation in line with wider Civil Service aspirations.

Staff costs comprise:

	Permanently employed staff (£'000)		Others (£'000)		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Wages and salaries	114,669	106,007	8,812	5,667	123,481	111,674
Social security costs	12,088	10,873	448	260	12,536	11,133
Other pension costs	31,272	28,202	1,625	923	32,897	29,125
	158,029	**145,082**	**10,885**	**6,850**	**168,914**	**151,932**
Less recoveries in respect of outward secondments	(56)	(88)	-	-	(56)	(88)
Total staff costs	**157,973**	**144,994**	**10,885**	**6,850**	**168,858**	**151,844**



The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2021-22 was £1.7 million (2020-21: £0.5 million), and the total consultancy expenditure within staff costs for 2021-22 was £1.0 million (2020-21: £1.1 million).

Pension past service cost

A number of the agency's people are members of the Local Government Pension Scheme. Details of this scheme can be found in note 10 to the financial statements.

Civil Service pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes. The agency is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Civil Service Pensions : Resource Accounts (civilservicepensionscheme.org.uk)

For 2021-22, employer contributions of £31.3 million (2020-21: £27.6 million) were payable to the PCSPS and alpha at one of four rates during 2021-22 (and 2020-21) in the range of 26.6% - 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-2022, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £219,267 (2020-21: £185,864) were paid to one or more of the appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%.

The agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £8,308 (2020-21: £6,971, 0.5% of pensionable pay) were payable to the PCSPS and alpha to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £21,781 (2020-21: £18,452).

No employees retired on ill-health grounds during 2021-22 (there were four in 2020-21, with a total additional accrued pension liability of £21,717).

Early departure costs

The table below sets out the number of formally agreed exit packages in the year, divided into bands of cost. These disclosures are subject to audit.

Exit package cost by band	No. compulsory redundancies		No. other departures		Total no. exit packages by band	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
< £10,000	-	-	11	31	11	31
£10,000 - £25,000	-	-	1	30	1	30
£25,000 - £50,000	-	-	2	28	2	28
£50,000 - £100,000	-	-	-	3	-	3
£100,000 - £150,000	-	-	-	-	-	-
Total no. exit packages by type	-	-	14	92	14	92
Total operating cost (£'000)	-	-	111	1,908	111	1,908

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2021-22 (2020-21 comparative figures are also given). £1.41 million exit costs were paid in 2021-22, the year of departure (2020-21: £2.41 million). Where the agency has agreed early retirements, the additional costs are met by the agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The numbers included in the table above include departures of staff who are members of the Local Government Pension Scheme (2021-22: nil and 2020-21: 1 departure). Their compensation arrangements are outside the scope of the Civil Service Compensation Scheme. The cost of their early retirements reflects the cost of providing any redundancy payment due on retirement. In certain circumstances it also includes the cost associated with the increase in liability to pay future pensions.

Reporting of off-payroll appointments

In line with HM Treasury guidance on off-payroll appointments, tables 1 and 2 below provide information on our highly paid and/or senior off-payroll appointments. Off-payroll appointments are those which are not on the agency's payroll.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2022, earning £245[6] per day or greater

	Valuation Office Agency
No. of existing engagements as of 31 March 2022	5
Of which:	
No. that existed < 1 year	5

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day[6] or greater

	Valuation Office Agency
No. of temporary off-payroll workers engaged during the year ended 31 March 2022	10
Of which:	
Not subject to off-payroll legislation[7]	10
Subject to off-payroll legislation and determined as in-scope of IR35[7]	0
Subject to off-payroll legislation and determined as out-of-scope of IR35 [footnote 2]	0
No. of engagements reassessed for compliance or assurance purposes during the year	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022:

	Valuation Office Agency
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	6

6 The £245 threshold is set to approximate the minimum point of the pay scale for a SCS.

7 A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the agency must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

STAFF REPORT

Our staff and SCS numbers

On 31 March 2022 the agency had

3,640

full-time equivalent (FTE) people working for us, including senior management

plus **140** contingent workers

461 (net)

Since 31 March 2021 our headcount increased by

The VOA's staff turnover percentage for 2021-22 was

6.2%

Senior Civil Service

As of 31 December 2021, the agency has

22 SCS employees

21 SCS posts

Data as of 31 March 2022 (headcount not FTE):

Grade	SCS3	SCS2	SCS1
Total	1	5	16

Grade	Female	Male	Total
SCS	10	12	22
Other staff	2,078	1,934	4,012
Totals	2,088	1,946	4,034

Declared ethnicity category of employees:

The agency's ethnicity data is drawn from information voluntarily provided by employees. Contingent labour employees have been excluded from the figures. Of 3,893 employees (headcount rather than FTE, excluding contingent labour) at 31 March 2022, 2,750 have provided a response which is a declaration rate of 71% and a further 171 employees chose not to declare.

In accordance with Cabinet Office guidance, we exclude those who have chosen not to declare their ethnicity when calculating declaration rates and the proportion of ethnic minority staff in the agency.

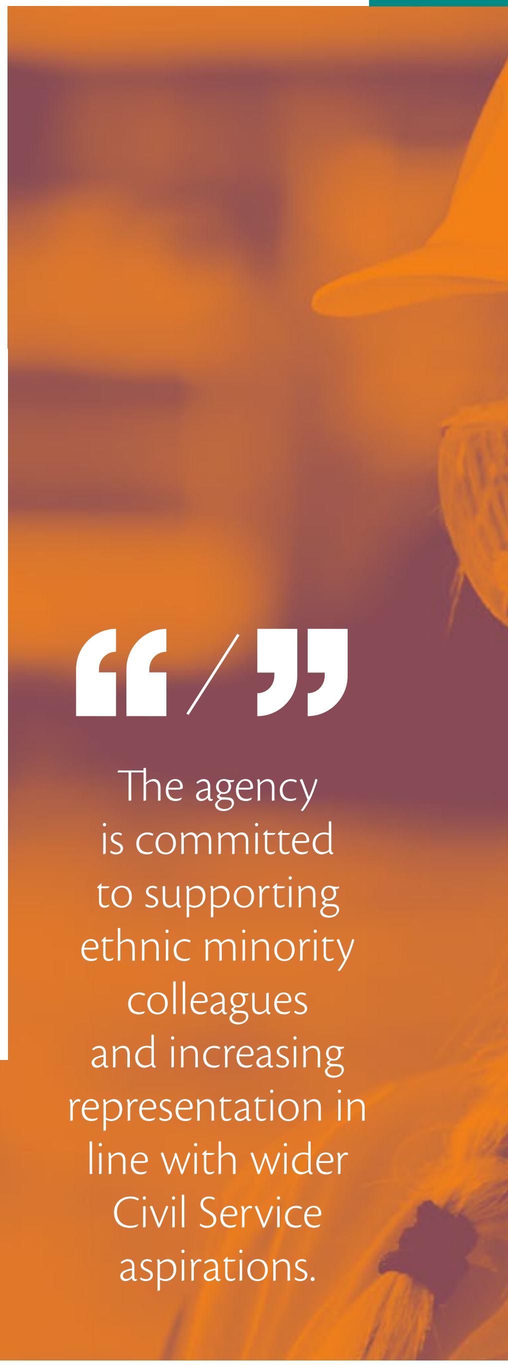
	Ethnic Minority	% Ethnic Minority	Total declared	Total not declared	Total responses	% declared
G7, G6 and SCS	21	5	400	26	426	80
AA to SEO	312	13	2,350	145	2,495	69

The agency is committed to supporting ethnic minority colleagues and increasing representation in line with wider Civil Service aspirations.

The agency is included in HMRC's ambitious goals for representation at SCS level and will be working closely with them over the next year to achieve those goals.

Gender pay gap analysis

The agency reported on male and female pay comparisons for a number of years through regular equal pay reviews. In 2017 the government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap. The agency reports on these requirements annually by publishing them via the government's gender pay gap service website.



The gender pay gap figures below show the difference in the mean and median rates of pay between men and women in the agency for base pay using 31 March 2021 data. The difference is expressed as a percentage of the hourly rate of pay for male and female employees.

	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£16.55	£18.68	11.4%
Median	£14.07	£16.63	15.4%

These headline figures take no account of the agency's grade structure, the different ratio of women and men within each grade, or the different national or London pay rates.

Trade union relationships

The VOA manages relationships with the trade union in accordance with current best practice.

Sickness absence data

	Working Days
2021-22 (as at 31 March 22)	6.4
2020-21 (as at 31 March 21)	4.6
Civil Service target	7.0

ACCOUNTABILITY REPORT

PARLIAMENATARY ACCOUNTABILITY AND AUDIT REPORT

PARLIAMENTARY DISCLOSURES

All disclosures in this report are subject to audit.

Fees and charges

For details of the agency's fees and charges income, please see note 2 to the financial statements.

Remote contingent liabilities

A remote contingent liability is where the likelihood of settlement is too remote to meet the definition of a contingent liability. The agency has no quantifiable remote contingent liabilities as at 31 March 2022.

Losses and special payments

The agency has incurred losses and made special payments throughout the year. These are individually and collectively below the reporting threshold of £300,000 set down in Managing Public Money.

Losses and special payments are shown in their own line in note 4 of the financial statements.

Losses and special payments are defined in Annexes 4.10 and 4.13 of 'Managing Public Money', which can be found at https://www.gov.uk/government/publications/managing-public-money.

Regularity of expenditure

The Accounting Officer is able to identify any material irregular or improper use of funds by the agency, or material non-compliance use of funds.

To the date of this statement, there have been no instances of material irregularity, impropriety or funding non-compliance discovered during the financial year.

Jonathan Russell, CB
Chief Executive
22 November 2022

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Valuation Office Agency's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Valuation Office Agency's affairs as at 31 March 2022 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Valuation Office Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Valuation Office Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the

Valuation Office Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Valuation Office Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Valuation Office Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Valuation Office Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Valuation Office Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Valuation Office Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Valuation Office Agency's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, Valuation Office Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Valuation Office Agency's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Valuation Office Agency's controls relating to the Valuation Office Agency's compliance with the Government Resources and Accounts Act 2000, and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, including pension specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Valuation Office Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Valuation Office Agency's framework of authority as well as other legal and regulatory frameworks in which the Valuation Office Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Valuation Office Agency. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, employment law, pensions and tax legislation.

In addition, I considered risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity relating to the valuation of defined benefit pension balances, and the valuation of assets under construction.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considered and evaluated the reasonableness of judgements made in the valuation of the defined benefit pension balances and assets under construction, with reference to the supporting evidence available.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **24 November 2022**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure (SoCNE) for the year ended 31 March 2022

		2021-22	2020-21
	Note	Total £'000	Total £'000
Revenue from contracts with customers	3	**42,515**	**40,217**
Staff costs	4	(168,350)	(152,721)
Purchase of goods and services	4	(30,381)	(28,588)
(Creation)/reversal of provisions	4	439	180
Other operating expenditure	4	(181)	(346)
Depreciation, amortisation and impairment charges	4	(8,872)	(11,986)
Total operating expenditure	4	**(207,345)**	**(193,461)**
Net operating expenditure for the year		**(164,830)**	**(153,244)**
Other comprehensive net expenditure:			
Net gain on revaluation of intangible assets	6	952	329
Actuarial gain/(loss) on pension fund	10	32,028	(395)
Effect of changes in asset ceiling on pension fund for remeasurement of asset		(32,710)	170
Comprehensive net expenditure for the year		**(164,560)**	**(153,140)**

The notes on pages 77 to 101 form part of these accounts.

Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	6,991	7,176
Intangible assets	6	28,914	15,280
Pension asset	10	4,308	5,820
Total non-current assets		**40,213**	**28,276**
Current assets			
Trade and other receivables	7	6,091	4,774
Contract assets		2,139	1,611
Cash and cash equivalents	8	16,645	33,785
Total current assets		**24,875**	**40,170**
Total assets		**65,088**	**68,446**
Liabilities			
Current liabilities			
Trade and other payables	9	(29,041)	(32,082)
Provisions		(300)	(950)
Amounts payable to the Consolidated Fund	8/9	(2,459)	(1,578)
Total current liabilities		**(31,800)**	**(34,610)**
Total assets less current liabilities		**33,288**	**33,836**
Non-current liabilities			
Total non-current liabilities		-	-
Total assets less total liabilities		**33,288**	**33,836**
Taxpayers' equity and other reserves			
General fund		32,684	33,369
Revaluation reserve		604	467
Total equity		**33,288**	**33,836**

Jonathan Russell, CB
Chief Executive
22 November 2022

The notes on pages 77 to 101 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Cash flows from operating activities			
Net operating expenditure		(164,830)	(153,244)
Adjustments for non-cash transactions:			
Depreciation of property, plant and equipment	5	1,419	2,441
Amortisation of intangible assets	6	6,734	8,482
Net loss on disposal of non-current assets and assets transferred to HMRC	4	719	1,063
Creation and reversal of provisions		(439)	(180)
Use of provisions		(211)	-
Notional auditor's remuneration	4	98	95
Pension fund expenditure passing through the SoCNE	10	1,420	1,306
Movements on pension asset and pension fund income and expenditure not passing through the SoCNE		(590)	(620)
Pension fund contribution not passing through SoCNE	10	620	678
(Increase)/decrease in trade and other receivables	7	(1,317)	1,496
(Increase)/decrease in contract assets		(528)	188
Increase/(decrease) in trade payables and other liabilities	9	(2,160)	4,767
Movements in payables relating to items not passing through operating costs		3,961	(5,235)
Net cash outflow from operating activities		**(155,104)**	**(138,763)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,921)	(1,028)
Purchase of intangible assets		(23,290)	(1,301)
Net cash outflow from investing activities		**(26,211)**	**(2,329)**
Cash flows from financing activities			
Parliamentary funding received		163,294	145,825
Receipts on behalf of the Consolidated Fund		881	38
Capital element of payments in respect of on-balance sheet PFI contracts		-	(42)
Net cash inflow from financing activities		**164,175**	**145,821**
Net (decrease)/increase in cash and cash equivalents in the period		**(17,140)**	**4,729**
Cash and cash equivalents at the beginning of the period	8	**33,785**	**29,056**
Cash and cash equivalents at the end of the period	8	**16,645**	**33,785**

The notes on pages 77 to 101 form part of these accounts.

Statement of Changes in Taxpayers' Equity (SoCTE) for the year ended 31 March 2022

		2021-22			2020-21		
	Note	General fund £'000	Revaluation reserve £'000	Taxpayers' equity £'000	General fund £'000	Revaluation reserve £'000	Taxpayers' equity £'000
Opening balance		**33,369**	**467**	**33,836**	**40,935**	**880**	**41,815**
Changes in taxpayers' equity for the period							
Parliamentary funding received		163,294	-	163,294	145,825	-	145,825
Net gain on revaluation of intangible assets	6	-	952	952	-	329	329
Comprehensive net expenditure for the year		(164,830)	-	(164,830)	(153,244)	-	(153,244)
Asset transfer to HMRC	4	-	-		(1,437)	-	(1,437)
Actuarial gain/(loss) on pension fund	10	32,028	-	32,028	(395)	-	(395)
Effect of changes in asset ceiling on pension fund for remeasurement of asset		(32,710)	-	(32,710)	170	-	170
Third party pension liability payments	10	620	-	620	678	-	678
Transfer between reserves		815	(815)	-	742	(742)	-
Notional charges - auditor's remuneration	4	98	-	98	95	-	95
Balance carried forward		**32,684**	**604**	**33,288**	**33,369**	**467**	**33,836**

The notes on pages 77 to 101 form part of these accounts.

NOTES TO THE AGENCY'S ACCOUNTS

Note 1. Statement of accounting policies

As the agency is a government entity, the financial statements have been prepared in accordance with the 2021-22 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the agency has selected the accounting policy which is most appropriate to provide a true and fair view. The agency's accounting policies are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared in accordance with the direction given by HM Treasury on 5 January 2022, in accordance with Section 7(1), (2) and (5) of the Government Resource and Accounts Act 2000.

Note 1.1 Accounting convention

The agency's accounts have been prepared using the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets (see notes 1.6 and 1.7).

The accounts have been prepared on a going concern basis.

Note 1.2 Revenue

Revenue principally comprises charges for services provided by the agency to other government departments, agencies, non-departmental public bodies and external customers.

Under IFRS15 the agency recognises revenue in a way that depicts the transfer of promised services to our customers and for the amount to which we expect to be entitled for those services.

A summary of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers is shown in note 3.

Note 1.3 Financial assets

A financial asset is recognised when the agency becomes a party to the contractual provisions of the instrument. The exception is where the financial asset is consideration from customers for services provided. In these cases, the agency recognises the financial asset when our revenue recognition criteria are met (see note 3). A financial asset is removed from the Statement of Financial Position when the contractual right to the asset expires, or when the asset is transferred to another party.

The agency's business model is to hold financial assets to collect contractual cash flows only. Financial assets are measured at cost and consist of trade and other receivables, contract assets and cash and equivalents.

At each reporting date the agency recognises a loss allowance at an amount equal to lifetime expected credit losses. The amount of impairment loss is calculated based on the expected shortfall looking forward over the lifetime of the exposure.

The amount of the impairment is recognised in the Statement of Comprehensive Net Expenditure in the period of impairment.

Note 1.3.1 Trade receivables

The majority of the agency's trade receivables are held with other government departments and other public sector bodies. The agency currently assesses these as having a low risk of default and historical instances of impairment associated with these debts have been rare. Therefore, the agency currently recognises zero expected credit losses for trade receivables

Note 1.3.2 Contract assets

Contract assets are classed as a financial asset. They represent revenue recognised from progress on contracts where performance obligations are partly satisfied (see note 3). The cost is calculated using records of time spent on the work and our hourly charge rate which reflects the estimated full cost of the service, as required by 'Managing Public Money'. Contract assets are measured net of expected credit losses which are calculated based on foreseeable losses on current contracts and for irrecoverable amounts. Recoverability is estimated for future years based on the previous years recovery rate.

Note 1.3.3 Cash and cash equivalents

Cash and cash equivalents represent cash balances held in the Government Banking Service.

Note 1.4 Financial liabilities

A financial liability is recognised when the agency becomes a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. A financial liability is removed from the Statement of Financial Position when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires. All financial liabilities are measured at cost or fair value.

Note 1.5 Civil penalties

Civil penalties are levied for the failure to submit Forms of Return deemed essential for the assessment of rateable values. The receipt of these penalties is not accounted for in the Statement of Comprehensive Net Expenditure, as the agency has no claim on them and must surrender them to the Consolidated Fund. Therefore, they are recognised as a liability on the Statement of Financial Position and shown as receipts and payments in the Cash Flow Statement.

Note 1.6 Property, plant and equipment

On initial recognition, the agency recognises property, plant and equipment assets at cost, including all costs directly attributable to bringing them into working condition. Assets under construction costs are accumulated until the asset is completed and ready to be brought into service when the asset is transferred to the relevant asset class and depreciation commences. Non-property assets are valued on a depreciated historical cost basis as a proxy for value in existing use as they are non-specialised, low value, and of short lives.

The agency carries the costs of the refurbishment of office accommodation on the Statement of Financial Position as non-current assets where the work results in additional and/or extended service potential to the agency.

Land and buildings are valued professionally on an existing use basis every five years, supplemented by such interim valuations as are necessary to ensure that the recorded values of the assets materially reflect their current value in existing use.

Apart from property and IT developed software, the agency considers all other assets' fair values to be comparable to their carrying values in the accounts.

Increases in asset values are recognised in the revaluation reserve within taxpayers' equity, except to the extent they reverse previous downwards revaluations recognised in net expenditure. Any subsequent revaluations of the asset are matched off against the amount of the revaluation reserve relating to the asset. However, if the devaluation exceeds the amount in the revaluation reserve relating to this asset, an impairment results (see note 1.9).

When the agency disposes of revalued property, plant and equipment, any remaining amount attributable to the asset held in the revaluation reserve is transferred to the general fund.

Depreciation

Property, plant and equipment is depreciated over its estimated useful life on a straight-line basis. The useful lives of newly capitalised property, plant and equipment are detailed in the accompanying table.

All assets' residual values, useful lives and method of depreciation are reviewed at each financial reporting year end and adjusted if appropriate.

Asset class	Recognition threshold	Estimated useful life
Accommodation refurbishments	£15,000	10 years or over the period of the lease
Office equipment	£5,000	Up to 7 years
IT hardware	£5,000	Up to 5 years
Furniture and fittings	£5,000	Up to 10 years
Telecommunications equipment	£5,000	5 years

From 2021-22 the estimated useful economic life of accommodation refurbishments was increased from 4 years, in response to moving to longer term government hub locations.

Expenditure falling below these values is expensed in the Statement of Comprehensive Net Expenditure. Where appropriate, individual assets falling below the minimum value for capitalisation are grouped and thus capitalised. Individual assets above the recognition threshold are also grouped, usually at the time of purchase, and within asset classes where the estimated useful lives are the same. Intangible assets are also grouped on a similar basis (see note 1.8).

VOA was party to a PFI contract that ceased on 31 March 2021 (see Note 1.12). PFI assets recorded under International Financial Reporting Interpretations Committee 12 were depreciated over the shorter of the estimated useful economic life of the asset or the remaining lease term.

Note 1.7 Intangible assets

Intangible assets consist of developed software and software assets under construction. Intangible assets under construction are only recognised if:

- it is technically and economically feasible to complete the asset;
- the agency intends to complete the asset; and
- the agency is able to use the asset generated by the project.

Assets under construction costs are accumulated until the asset is ready to be brought into service when the asset is transferred to the relevant asset class and amortisation commences. On initial recognition, the agency values intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, the agency accounts for developed software on a fair value basis using modified historical cost. This involves applying a revaluation index using appropriate indices from the Office for National Statistics. Indices are applied annually on 31 March if there is any material change in the carrying values of the assets. The treatment of changes in valuation is the same as that used for property, plant and equipment (see note 1.6).

Amortisation

Intangible assets are amortised over their estimated useful lives on a straight-line basis. The useful lives of newly capitalised intangible assets are detailed in the table below.

Asset class	Recognition Threshold	Estimated useful life
Developed software	£15,000	10 years unless known to be otherwise
Developed software - enhancements	nil	As per the enhanced asset
Software licences	£5,000	Up to 5 years

Intangible assets' residual values, useful lives and methods of amortisation are reviewed at each financial reporting year end and adjusted if appropriate.

Note 1.8 Grouped assets

The agency groups property, plant and equipment and intangible assets.

Grouped assets are a collection of assets which individually may be valued at less than an asset type's capitalisation threshold, but which together form a single collective asset because the items fulfil all the following criteria:

- the items are acquired at about the same date, or as part of work on the same project, and are planned for disposal at about the same date;
- the items are under single managerial control; and
- each grouped asset is over the capitalisation threshold for each asset class.

Note 1.9 Impairment of non-financial assets

Events and changes of circumstances are considered annually, and there is a review of property, plant and equipment and intangible assets for potential impairment losses whenever there is an indication that the carrying amount may not be recoverable. The agency reviews assets that are not yet ready for use annually. An impairment loss occurs when the carrying amount of the asset exceeds its recoverable amount. The asset's recoverable amount is the higher of its net selling price or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows or future service potential.

Where an impairment results from a loss in economic value or service potential, the loss is recognised as an operating cost in the SoCNE. Any revaluation reserve balance associated with the impaired assets is then released to the general fund. Impairment losses that do not result from such consumption of economic benefits are first applied against any existing amounts in the revaluation reserve relating to that asset, before any remaining loss is recognised as an operating cost.

Note 1.10 Provisions for liabilities and charges

Provisions are made where, at the reporting date, a legal or constructive liability (a present obligation arising from a past event) exists, for a probable transfer of economic benefits and for which a reasonable estimate can be made. Where obligations are less certain, or cannot be reliably estimated, the agency discloses them as contingent liabilities.

Note 1.11 Employee benefits

Pensions

The agency operates two different pension arrangements.

a. Civil Service Pension Schemes

Principal Civil Service Pension Scheme (PCSPS)

The majority of past and a large number of present permanent staff members are part of the PCSPS.

The Civil Servants and Others Pension Scheme (alpha)

From 1 April 2015 a new pension scheme for civil servants was introduced – alpha. From that date all newly appointed civil servants and the majority of those already in service joined alpha. This scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

Owing to the largely unfunded, multi-employer nature of the PCSPS and alpha schemes, it is not possible to identify the assets and liabilities associated with any one employer. Actual contributions to the scheme are used as the basis for the charge to the SoCNE. The agency does not recognise any PCSPS or alpha assets or liabilities.

Pension scheme members who first joined the Civil Service pension's arrangements by 30 July 2007 have their benefits calculated as a fraction of their final salary.

Members first joining the arrangements after this date are entitled to benefits based on career average salary.

b. Local Government Pension Scheme (LGPS)

The agency merged with The Rent Service in April 2009, taking on staff who are members of the LGPS. This is a funded defined benefit scheme. Entitlement to benefits accrued up to 31 March 2014 is based on a scheme member's final salary. Entitlement to benefits accrued thereafter is based on career average earnings.

The Statement of Financial Position includes an LGPS asset, which is the fair value of the scheme assets attributable to the agency minus the present value of the defined benefit obligation to staff.

VOA applies the asset ceiling test per IFRIC 14 in order to calculate how much of the surplus to recognise as an asset, ultimately limiting the value of the asset.

Independent actuaries value the defined benefit obligation using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees.

The scheme managers carry out a formal valuation of the scheme's assets and liabilities for the purpose of setting employers' contributions every three years. The process to deliver a new valuation commenced on 31 March 2022 and is due to be completed by 1 April 2023, at which point new employer contributions will take effect.

The agency records non-cash service costs and net interest costs (comprising interest income on the assets and interest expense on the liabilities), which are both calculated with reference to the discount rate, and administration expenses as operating costs in the SoCNE in the period in which they occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in reserves in the period in which they arise.

Early departure costs

Costs of early departures are recognised when the agency is committed to the departure. They are disclosed in the Remuneration and Staff Report. The increased pension liabilities in respect of LGPS members due to early departures are recognised within the pension liability (note 10).

Note 1.12 Private Finance Initiative (PFI) transactions

HM Treasury determined that government bodies shall account for infrastructure PFI schemes 'on-balance sheet' where:

- the agency controls the service provided using the infrastructure; and
- the agency controls a significant residual interest in the infrastructure at the end of the arrangement; or
- the arrangement meets the definition of a finance lease under International Accounting Standard (IAS) 17.

In 2020-21 the agency still had one 'on-balance sheet' PFI asset (Shrewsbury office) that met this criteria. The in-year services received under the contract were recorded as operating expenses. Off-balance sheet PFI-procured assets were treated as operating leases, and assets and liabilities were not recognised in respect of them. The land elements of all leases were treated as operating leases. This arrangement ended on 31 March 2021 as planned.

Note 1.13 Leases

The agency's leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by the agency under operating lease agreements are charged to the SoCNE over the period of the lease term, in order to reflect the consumption of economic benefit. Future obligations for the lease rentals for the period ended 31 March 2022 are disclosed in note 11.

Note 1.14 Critical accounting judgements & key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions. Although the agency bases judgements and estimates on the best knowledge of current events and actions, actual results may differ from assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The most significant estimates and areas of management judgement made in the accounts relate to:

Provisions for legal claims
Judgement is required in relation to legal claims to estimate the likelihood of a case being found against the agency, and to estimate the most likely amount that the agency would be required to pay. Estimates are made based on past experience and legal advice.

Measurement of the LGPS pension asset (note 10)
The present value of the agency's net pension obligation under the LGPS depends on a number of factors which are actuarially determined on the basis of a set of assumptions. Key assumptions include the discount rate to be applied, inflation forecasts, long term changes in member salaries, future return on assets and member mortality.

Measurement of the employee and flexi leave accrual (note 9)
The agency uses an employee-by-employee breakdown of the actual leave balance and salary to calculate its liability for employee leave and flexi balances. The principal uncertainty is in respect of when the untaken leave balance will be used. In the absence of information on the timing of staff members' future use of their leave, the agency neither discounts the liability nor includes any forecast of future salary increases.

Note 2. Operating segments for the year ended 31 March 2022

The agency discloses performance results for the areas of its activities where fees and charges are made in line with the government Financial Reporting Manual requirements. In accordance with IFRS 8, the agency has identified four key factors to distinguish reportable operating segments. These are that:

- the reportable operating segment engages in activities from which we earn revenues and incur expenses;
- the reportable operating segment's financial results are regularly reviewed by the chief operating decision-maker to make decisions about allocation of resources to the segment and assess its performance;
- the reportable operating segment has discrete financial information; and
- the reportable operating segment provides a distinct service to its customers.

ExCom is the primary decision-making forum for the agency. The segmental analysis below is based on the detail presented to ExCom who review management information based on three reportable segments, with corporate services costs distributed across each line:

Business rates and council tax
Compilation and maintenance of the non-domestic rating and council tax lists that support the collection of council tax and business rates in England and Wales.

The Welsh Government fund our work in Wales, contributing £9.6 million (2020-21: £8.7 million). The remainder is principally funded through Parliamentary Supply, shown in the Statement of Changes in Taxpayers' Equity.

District Valuer Services
Delivery of a range of statutory and non-statutory functions, principally;

- Provision of valuation advice for national taxation purposes to HMRC on areas such as inheritance tax and capital gains tax £7.0 million (2020-21: £7.7 million)
- Determinations of value for Right to Buy in England £1.8 million (2020-21: £0.9 million)
- Wider provision of valuations and property advice for other public bodies to support statutory functions, delivery of government policies and estates strategies £14.4 million (2020-21: £13.4 million)

Local Housing Allowances and fair rents
Rent assessment services are used for assessing Housing Benefit claims and for determining fair rents in accordance with the Rent Act 1977. The segment's principal client is the DWP contributing £6.9 million (2020-21: £6.9 million) and additional work done is carried out for DLUHC, contributing £1.8 million (2020-21: £1.6 million).

	2021-22			2020-21		
	Income from fees and charges	Full cost of providing services	Surplus / (deficit)	Income from fees and charges	Full cost of providing services	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Business rates and council tax	10,660	177,136	(166,476)	9,700	164,698	(154,998)
District Valuer Services	23,227	20,579	2,648	22,016	19,917	2,099
Local Housing Allowances and fair rents	8,628	8,210	418	8,501	7,540	961
Total	**42,515**	**205,925**	**(163,410)**	**40,217**	**192,155**	**(151,938)**

Reconciliation to Statement of Comprehensive Net Expenditure	2021-22 £'000	2020-21 £'000
Surplus/(Deficit) per above	(163,410)	(151,938)
Non-cash pension costs not recovered from clients	(1,420)	(1,306)
Net operating expenditure	**(164,830)**	**(153,244)**

The agency's ExCom does not require an analysis of assets or liabilities by segment for the purposes of allocating resource or assessing performance. Accordingly, no analysis is included in these financial statements.

Note 3 Revenue from contracts with customers.

In 2021-22 the agency has recognised £42.5 million (2020-21: £40.2m) of revenue from contracts with customers.

The following disclosures describe the material[8] sources of revenue arising from contracts with customers, and supplement those provided in note 2.

Revenue category	Revenue negotiated annually	Revenue charged on an hourly basis
Revenue streams	• Council tax and business rates (Wales); • Housing Allowances; • Fair Rent and; • Statutory Valuations Team (HMRC).	• Property Services; • Statutory Valuations Team (DWP); and • Statutory Valuations Team (Right to Buy).
Total revenue recognised	£25.2 million	£16.2 million
Timing of Revenue Recognition (and satisfaction of performance obligations)	Over time (1)	Over time (2)

8 The remaining revenue (£1.1 million) has been included within the "Business rates and council tax" segment in note 2.

1

Our service level agreements to deliver these statutory services are negotiated on an annual basis. The agency's framework agreement requires that we recover the full cost of the services we provide to our customers. The agency agrees funding for each year in advance with our funding providers in order to achieve this objective. For each of these services we have several performance obligations and our funding providers are able to use the services we provide as they are performed as they simultaneously receive and consume the benefits provided by our performance. This means our performance obligations are satisfied over time.

We invoice funding providers in equal instalments on a monthly basis and payment is required at the latest by the tenth working day for most providers. The agency holds quarterly performance discussions with its funding providers covering in-year operational and financial matters. If our performance is significantly outside of agreed levels we discuss whether a funding adjustment or corrective action is required. Sustainable efficiencies delivered in the financial year would usually be reflected in future funding settlements.

2

The agency recognises revenue over time for these services where it has a right to payment for an amount that at least compensates the agency for its performance completed to date which is equivalent to the selling price of the goods or services transferred to date in the event that the customer or another party terminates the contract for reasons other than the agency's failure to perform as promised. This right is conveyed either by the agency's standard terms of engagement, the Service Level Agreement or by administrative practice for each contract. This work also does not create an asset with an alternative use to the agency.

In each case the agency recognises revenue using an input method. Client fees are calculated on a diary basis using records of time spent on client activity and pre-determined hourly charge-out rates derived to recover estimated full costs of the service, as required by Managing Public Money. This provides a faithful depiction of the transfer of services as our performance obligations are heavily labour-intensive to fulfil.

The agency's performance obligations for this work vary in their duration from smaller valuations that are completed within a few working days up to multi-year contracts. In each contract the performance obligation is to undertake work on property valuations or assessments, the output of which is a report. Until the performance obligation is completely satisfied the agency recognises a contract asset from the value of unbilled resource expended on the performance obligation. Typically, an invoice is issued on completion of the performance obligation, although as agreed in our contracts we hold the right to invoice on an interim basis for longer-term contracts. On issue of an invoice this contract asset becomes a trade receivable. Payment terms for invoices raised are 30 days from the receipt of the invoice.

If the customer is not satisfied with our work we will discuss their concerns in full, and issue a refund where it is fair and appropriate.

The agency has adopted the practical expedient in paragraph 121 of IFRS 15 because, as described above, it has a right to consideration from our customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. There is no consideration from contracts with customers that is not included in the transaction price.

The contract balances from revenue with customers are included within trade and other receivables (note 7).

Note 4 Expenditure for the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Staff costs			
Wages and salaries		123,481	111,674
Social security costs		12,536	11,133
Other pension costs		32,897	29,125
Early departure costs		(508)	877
Less recoveries in respect of outward secondments		(56)	(88)
		168,350	**152,721**
Purchases of goods and services			
Accommodation costs		14,255	12,372
IT software and support		3,284	(13)
IT services		2,442	7,748
HMRC service charges		1,972	1,909
Subscriptions		1,713	1,478
Training		1,607	1,290
Print, postages and stationery		1,189	708
Contracted-out services		1,074	960
Consultancy		958	1,089
Travel and subsistence		858	619
Recruitment		475	333
Legal costs		45	(53)
IT software and support		27	42
Research and development		26	56
PFI Finance charges		-	10
Sundry costs		456	40
		30,381	**28,588**
Provision expense			
Provision movements in-year		(439)	(180)
		(439)	**(180)**
Other operating expenditure			
Auditor's notional remuneration		98	95
Losses and special payments		79	70
Bad debt write off		4	181
		181	**346**
Depreciation, amortisation and impairment charges			
Depreciation of property, plant and equipment	5	1,419	2,441
Amortisation of intangible assets	6	6,734	8,482
Net loss on disposal of non-current assets		719	2,500
Asset transferred to HMRC		-	(1,437)
		8,872	**11,986**
Total operating expenditure		**207,345**	**193,461**

A further breakdown of staff costs, details of pension costs and exit packages, can be found on pages 49 to 63 in the remuneration and staff report.

The agency is audited by the Comptroller and Auditor General, who has not carried out any non-audit work for the agency in either year above.

The budget and responsibility for VOA IT services and staff costs transferred to HMRC in 2020-21. The total 2021-22 cost for the IT and digital services provided to VOA by HMRC was £20.53 million (2020-21: £18.95 million).

Note 5 Property, plant and equipment

	Accommodation refurbishments £'000	Assets under construction £'000	Information technology hardware and telecommunications equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost or valuation:					
At 1 April 2021	3,611	4,276	6,349	4,274	**18,510**
Additions	-	1,457	-	-	**1,457**
Disposals	(2,088)	-	(4,511)	(1,056)	**(7,655)**
Reclassifications	2,914	(3,193)	(1,651)	280	**(1,650)**
Revaluations	-	-	-	-	**-**
At 31 March 2022	**4,437**	**2,540**	**187**	**3,498**	**10,662**
Depreciation:					
At 1 April 2021	3,319	-	5,760	2,255	**11,334**
Charged in the year	541	-	479	399	**1,419**
Disposals	(2,088)	-	(4,506)	(928)	**(7,522)**
Reclassifications	-	-	(1,560)	-	**(1,560)**
Revaluations	-	-	-	-	**-**
At 31 March 2022	**1,772**	**-**	**173**	**1,726**	**3,671**
Net book value:					
At 31 March 2022	**2,665**	**2,540**	**14**	**1,772**	**6,991**
At 31 March 2021	**292**	**4,276**	**589**	**2,019**	**7,176**

In 2020-21, a number of digital assets included within Information technology hardware owned by VOA, were transferred to HMRC as part of the digital integration programme. Upon completion of the programme a number of remaining assets which had not been transferred were subsequently decommissioned in 2021-22, and hence fully depreciated and disposed of with a nil net impact.

All other property, plant and equipment are owned, and no donated assets were held during the year (31 March 2021: nil).

	Buildings £'000	Accommodation refurbishments £'000	Assets under construction £'000	Information technology hardware and telecommunications equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost or valuation:						
At 1 April 2020	5,219	9,288	805	11,880	6,193	**33,385**
Additions	-	-	3,892	-	-	**3,892**
Disposals	(5,219)	(5,315)	-	(6,626)	(1,857)	**(19,017)**
Reclassifications	-	(362)	(421)	1,095	(62)	**250**
Revaluations	-	-	-	-	-	**-**
At 31 March 2021	**-**	**3,611**	**4,276**	**6,349**	**4,274**	**18,510**
Depreciation:						
At 1 April 2020	5,060	8,618	-	8,732	3,165	**25,575**
Charged in the year	159	(4)	-	1,798	488	**2,441**
Disposals	(5,219)	(5,295)	-	(4,770)	(1,398)	**(16,682)**
Revaluations	-	-	-	-	-	**-**
At 31 March 2021	**-**	**3,319**	**-**	**5,760**	**2,255**	**11,334**
Net book value:						
At 31 March 2021	**-**	**292**	**4,276**	**589**	**2,019**	**7,176**
At 31 March 2020	**159**	**670**	**805**	**3,148**	**3,028**	**7,810**

Some of the agency's office provision were subject to a PFI arrangement (see Note 1.12) which ceased on 31 March 2021, hence the disposal of this asset classification at that date.

Note 6 Intangible assets

	Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation:			
At 1 April 2021	80,533	5,855	**86,388**
Additions	-	19,912	**19,912**
Disposals	(19,860)	-	**(19,860)**
Reclassifications	5,076	(3,426)	**1,650**
Revaluations	5,617	-	**5,617**
At 31 March 2022	**71,366**	**22,341**	**93,707**
Amortisation:			
At 1 April 2021	71,108	-	**71,108**
Charged in the year	6,734	-	**6,734**
Disposals	(19,274)	-	**(19,274)**
Reclassifications	1,560	-	**1,560**
Revaluations	4,665	-	**4,665**
At 31 March 2022	**64,793**	**-**	**64,793**
Net book value:			
At 31 March 2022	**6,573**	**22,341**	**28,914**
At 31 March 2021	**9,425**	**5,855**	**15,280**

During 2021-22, a review of developed software assets was undertaken. This resulted in the disposal of a number of historical items held on the register that were no longer in use, where new technology upgrades had superseded the original asset, or where the asset was no longer required as a result of closer digital integration with HMRC. The majority of these disposals were held at nil net book value at the time of disposal.

Included within assets under construction are material costs of £19.6m relating to the Business Systems Transformation programme.

	Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation:			
At 1 April 2020	78,817	5,314	84,131
Additions	-	3,676	3,676
Disposals	(2,311)	-	(2,311)
Reclassifications	2,885	(3,135)	(250)
Revaluations	1,142	-	1,142
At 31 March 2021	80,533	5,855	86,388
Amortisation:			
At 1 April 2020	63,959	-	63,959
Charged in the year	8,482	-	8,482
Disposals	(2,146)	-	(2,146)
Revaluations	813	-	813
At 31 March 2021	71,108	-	71,108
Net book value:			
At 31 March 2021	9,425	5,855	15,280
At 31 March 2020	14,858	5,314	20,172

Note 7 Trade receivables and other assets

Amounts falling due within one year:	31 March 2022 £'000	31 March 2021 £'000
Trade and other receivables	4,083	4,156
Prepayments	2,008	618
Total	6,091	4,774

Note 8 Cash and cash equivalents

At 31 March 2022, the agency held £16.6 million (31 March 2021: £33.8 million) of cash in the bank, which forms part of the exchequer pyramid.

The cash balance disclosed above includes £2.5 million (31 March 2021: £1.6 million) of civil penalties which have been collected on behalf of the Consolidated Fund (see note 1.5).

Note 9 Trade payables and other liabilities

Amounts falling due within one year	31 March 2022 £'000	31 March 2021 £'000
Trade and other payables	433	374
Accruals and deferred income	20,331	22,618
Employee leave accrual	8,277	9,090
	29,041	**32,082**
Amounts payable to the Consolidated Fund	2,459	1,578
Total	**31,500**	**33,660**

Note 10 Pension benefit obligations

Introduction

The agency merged with The Rent Service on 1 April 2009, taking on employees who are members of the Local Government Pension Scheme. The fund is administered by London Pension Fund Authority (LPFA) and the trustees are appointed by the Mayor of London. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the agency. The Local Government Scheme is accounted for as a defined benefit scheme. The Annual Report and Accounts of the LPFA can be found on their website, www.lpfa.org.uk.

The accounting entries in respect of the year ended 31 March 2022 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation, performed as at 31 March 2019, and completed in December 2019. Work on the 31 March 2022 actuarial valuation has commenced but is not yet available. The actuary allows for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward our share of the scheme's assets at the last formal valuation, allowing for investment returns and the effect of payments in and out of the fund. Service costs have been estimated using contribution information supplied to the actuary.

The actuarial gain on the pension fund of £31.4 million, then adjusted down by £45.6 million due to re-measurement to the asset ceiling under IAS 19 has resulted in a pension asset of £4.3 million at 31 March 2022, having previously been an asset of £5.8 million at 31 March 2021.

The performance of the scheme assets during the year has been stronger showing a positive return of £22.8 million.

In 2021-22, the agency made contributions at a rate of 21.0% (2020-21: 21.0%) of pensionable salary. The total cash contribution that the agency expects to make to the LGPS scheme in the year to 31 March 2023 is £0.6 million.

Transactions relating to the Local Government Pension Scheme

	2021-22		2020-21	
	£'000	% of pay	£'000	% of pay
Service cost	1,284	19.9%	1,249	21.2%
Net interest on defined liability	(120)	-1.8%	(169)	-2.9%
Administrative expenses	256	3.9%	226	3.8%
	1,420	**22.0%**	**1,306**	**22.1%**
Actual return on scheme assets	**26,540**		**28,402**	

The service cost is the increase in scheme liabilities as a result of employees' services. Net interest cost is the increase in the present value of the scheme's liabilities due to moving one year closer to payment.

Recognised in Statement of Changes in Taxpayers' Equity

	2021-22 £'000	2020-21 £'000
Return on plan assets in excess of interest	26,419	25,068
Other actuarial gains on assets	-	-
Changes in financial assumptions	5,972	(29,248)
Changes in demographic assumptions	-	1,593
Experience loss on defined benefit obligation	(363)	2,192
Actuarial gain/(loss) recognised in Statement of Changes in Taxpayers' Equity	**32,028**	**(395)**

Under IAS 19, the surplus in the defined benefit plan as shown in this note is only recognised as an asset on the Statement of Financial Position up to the value of the asset ceiling, which is the present value of economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. The net defined benefit pension asset on the Statement of Financial Position at 31 March 2022 has been reduced by £1.5m to reflect the value of the asset ceiling.

Actuarial gains and losses may arise on both scheme assets and liabilities. For assets, the gains and losses are as a result of the differences between the actual and expected return. This amount may be volatile from year to year because of sensitivity to the market values of scheme assets at 31 March each year.

Actuarial gains and losses on liabilities arise because of differences between actuarial assumptions and actual experience during the period, and the effect of changes in actuarial assumptions.

Assets and liabilities relating to the Local Government Pension Scheme

	31 March 2022 £'000	31 March 2021 £'000
Fair value of scheme assets	221,452	197,169
Present value of funded liabilities	(171,227)	(178,366)
Net asset	**50,225**	**18,803**
Present value of unfunded obligations	(316)	(339)
Remeasurement of net defined benefit pension asset for changes in asset ceiling	(45,601)	(12,664)
Net asset in the Statement of Financial Position	**4,308**	**5,820**

Reconciliation of present value of the scheme liabilities

	31 March 2022 £'000	31 March 2021 £'000
Opening defined benefit obligation at 1 April	178,705	154,514
Service cost	1,284	1,241
Interest cost	3,423	3,165
Changes in financial assumptions	(5,953)	29,275
Experience losses/(gains) on defined beneficial obligation	363	(2,192)
Changes in demographic assumptions	-	(1,593)
Estimated benefits paid	(6,435)	(5,867)
Past service costs, including curtailments	-	8
Contributions by scheme participants	173	171
Unfunded benefits paid	(17)	(17)
Closing defined benefit obligation at 31 March	**171,543**	**178,705**

Reconciliation of fair value of the scheme assets

	31 March 2022 £'000	31 March 2021 £'000
Opening fair value of assets at 1 April	197,169	174,059
Interest on assets	3,790	3,334
Return on assets less interest	26,419	25,068
Other actuarial losses	-	-
Administration expenses	(256)	(226)
Contributions by the employer including unfunded	620	678
Contributions by scheme participants	173	171
Estimated benefits paid plus unfunded net of transfers in	(6,463)	(5,915)
Estimated fair value of scheme assets at 31 March	**221,452**	**197,169**

Indemnity for pension liability from the DWP

The agency has a service level agreement with DWP which has accepted that if the pension scheme liability were to crystallise then it would be liable for these costs. DWP also accepts that if it cannot meet these costs, it will seek additional funding from HM Treasury to address any shortfall.

In line with HM Treasury accounting guidance, DWP cannot fund the agency for the amounts recognised as operating costs above. These costs totalling £1.42 million for 2021-22 (2020-21: £1.31 million) are instead fully financed by our sponsor department HMRC. The agency is effectively therefore indemnified against this liability.

Sensitivity analysis

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of pension entitlements.

	£'000	£'000	£'000
Adjustments to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	169,035	171,543	174,092
Projected service cost	1,169	1,195	1,222
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	171,703	171,543	171,384
Projected service cost	1,196	1,195	1,195
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	173,912	171,543	169,209
Projected service cost	1,222	1,195	1,169
Adjustment to life expectancy assumptions	**+1 year**	**None**	**- 1 year**
Present value of total obligation	180,291	171,543	163,231
Projected service cost	1,249	1,195	1,143

History of surplus or deficit in the scheme

	31 March 2022 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2018 £'000
Fair value of employer assets	221,452	197,169	174,059	187,424	176,679
Fair value of defined benefit obligations	(171,543)	(178,705)	(154,514)	(166,339)	(166,301)
Net surplus arising from defined benefit obligation before asset ceiling adjustment	**49,909**	**18,464**	**19,545**	**21,085**	**10,378**

Financial assumptions

	31 March 2022 % per year	31 March 2021 % per year
RPI increases	3.8%	3.4%
CPI increases	3.3%	2.9%
Salary increases	4.3%	3.9%
Pension increases	3.3%	2.9%
Discount rate	2.6%	2.0%

The discount rate is the annualised yield at the 15 year point on the Merrill Lynch AA rated corporate bond yield curve.

Composition of scheme assets

	31 March 2022		31 March 2021	
	£'000	%	£'000	%
Equities	126,049	57%	109,472	56%
Target return funds	47,697	22%	45,243	23%
Alternative assets	42,430	19%	34,220	17%
Cash	5,276	2%	8,234	4%
	221,452		197,169	

Demographic and statistical assumptions

The following life expectancy assumptions are used by the actuary in calculating the accounting entries:

Life expectancy from age 65 (years)	31 March 2022	31 March 2021
Retiring today:		
Males	21.9	21.8
Females	24.0	23.9
Retiring in 20 years:		
Males	22.5	22.5
Females	25.8	25.7

The post retirement mortality is based on the Club Vita mortality analysis, projected using the CMI_2020, allowing for a long-term rate of improvement of 1.25% per annum and adopting the default smoothing parameter of 7.0, an initial addition parameter of 0.5% per annum. The 2020 CMI model also introduces a 2020 weight parameter (25%) for the mortality rate to incorporate the exceptional mortality experienced due to coronavirus without having a disproportionate impact on results. The effect of updating the demographic assumptions is reflected in the Change in demographic assumptions figure.

Note 11 Commitments under leases

Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2022 £'000	31 March 2021 £'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	5,482	5,124
Later than one year and not later than five years	16,047	12,576
Later than five years	28,683	18,141
	50,212	**35,841**

The obligations have increased during the year as the agency has committed to leases with significantly longer terms. The agency has no right to purchase the land and buildings leased under operating leases.

VOA will adopt IFRS 16 with effect from 1 April 2022 and will account for the majority of the leases above on a right-of-use basis (see Note 15). A difference arises between the total operating lease commitment above and the anticipated IFRS 16 liability in Note 15, due to the exclusion of short-term leases and VAT, and the application of discount factors to the IFRS 16 calculations.

Note 12 Contingent liabilities at 31 March 2022

The agency is involved in several cases involving litigation arising from its statutory activities. If the agency loses these cases it is generally not liable for compensation but could be liable for the other party's costs if the court so decides. Often cases pass through several levels of appeal before final resolution and subsequent hearings to assess costs are not uncommon. Cases are typically under consideration by tribunals ranging from the Valuation Tribunal to the Supreme Court.

The agency is confident of success in those cases which are not accounted for within the agency's provisions. This is often because the agency has already won in a lower court or because it has received legal advice confirming the strength of its position. The agency cannot easily assess third party costs in these cases, however it is estimated that there is £0.21 million (31 March 2021: £0.27 million) of contingent liabilities as at the end of the financial year.

Note 13 Related party transactions for the year ended 31 March 2022

The VOA is an executive agency of HMRC. HMRC is a related party and the agency had a significant number of material transactions with it during the year. Reported income in the year includes £7.0 million (2020-21: £8.4 million) earned from HMRC and expenditure includes £26.8 million (2020-21: £15.8 million) invoiced to the agency by HMRC. Current assets are £nil (31 March 2021: £0.03 million) of debt due from HMRC and £0.1 million (31 March 2021: £0.1million) of current liabilities due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

The agency is controlled by the UK government and has a significant number of material transactions with other UK government departments. Most of these transactions have been under service level agreements with the DWP, the DLUHC and the Welsh Government. During 2021-22, income was invoiced to these parties under service level agreements as follows:

DWP	£7.2 million	(2020-21: £7.1 million)
DLUHC	£3.6 million	(2020-21: £2.6 million)
Welsh Government	£9.6 million	(2020-21: £8.9 million)

The agency had material transactions with pension schemes providing benefits to the agency's people, the PCSPS, alpha and the Local Government Pension scheme as administered by the London Pension Fund Authority. These transactions are discussed on page 51 to 52 of the Remuneration and Staff Report and in note 10.

During the year, no Board Member has undertaken any material transactions with the agency. The agency had no material transactions with any party related to the agency because of a Board member's interest in it or influence over it.

Lucy Frazer QC MP, appointed the Financial Secretary to the Treasury (FST) from 16 September 2021 to 7 September 2022, is married to the Chief Executive of Alexander Mann Solutions Ltd (AMS). The FST was the departmental minister responsible for HMRC and the VOA. AMS are contracted under a Crown Commercial Service framework arrangement to source contractors and temporary workers and was a supplier to VOA prior to the FST's appointment. In the financial year 2021-22, VOA incurred expenditure of £1.4 million to AMS. The majority of this cost relates to payments to agency staff but an element covers the services provided by AMS to source these temporary workers. The FST had no role in the decisions relating to this expenditure.

Note 14 Events after the reporting period

The Accounting Officer authorised these financial statements for issue on the same day as certified by the Comptroller and Auditor General.

There are no reportable non-adjusting events after the reporting period.

Note 15 Standards in issue but not yet effective

New and revised standards and interpretations have been issued but are not yet effective and have not therefore been adopted in this account.

IFRS 16 Leases

IFRS 16 is a new lease accounting standard that was effective in the private sector from 1 January 2019.

The Financial Reporting Advisory Board (FRAB) and HM Treasury have agreed that the mandatory effective date for IFRS 16 in government will be 1 April 2022, at which point VOA will adopt the new standard.

IFRS 16 Leases replaces IAS 17 Leases and fundamentally changes the accounting treatment of leases for lessees. The current IAS 17 model, which requires entities to distinguish between finance leases (on Statement of Financial Position) and operating leases (off Statement of Financial Position) will be replaced by a 'right-of-use' model that requires lessees to recognise their right-of-use of assets and associated liabilities.

At the date of initial application, HM Treasury mandates that as a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease. Therefore, VOA will apply this Standard to all contracts previously identified as leases applying IAS 17 and IFRIC 4, and not apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

IFRS 16 provides a single lessee accounting model and requires lessees to recognise assets and liabilities for leases with a term of more than 12 months remaining at the beginning of the accounting period, unless the underlying asset is of low value (set at £5,000 for VOA).

HM Treasury mandates that IFRS 16 in the public sector will be implemented using the cumulative catch-up method, therefore comparatives will not be restated and the cumulative effect of initially applying the Standard at 1 April 2022 will be recognised as an adjustment to taxpayers' equity.

In making the transition into IFRS 16, VOA has reviewed existing and future contracts to identify lease and non-lease (i.e. service) elements and to establish lease terms. VOA will use a discount rate provided by HM Treasury when the rate cannot readily be obtained from the lease contract.

Analysis undertaken has indicated there will be a material impact for VOA as existing lease commitments totalled £50.2 million at 31 March 2022, as highlighted in note 11 above. VOA exposure falls solely within Estates. Key stakeholders from across the business have been engaged to assist in this work.

Based on the information currently available, on adoption of IFRS 16 on 1 April 2022, liabilities will increase by c.£50.3 million, and operating reserves increase by c.£4k. Assuming VOA's leases in operation remain unchanged during 2022-23, operating expenditure is expected to reduce by c.£4.8 million, and net financing costs are expected to increase by c.£0.5 million resulting in an overall net deficit impact of c.£4.3 million for VOA.

IFRS 17 Insurance Contracts

IFRS 17 is the new accounting standard for Insurance Contracts and aims to make risk transfer contracts more comparable between entities. While the standard, which will replace IFRS 4: Insurance Contracts, will be effective for annual reporting periods beginning on or after 1 January 2023, an implementation date for government is still subject to confirmation. IFRS 17 is not expected to have a material impact on the financial statements.

PAYMENT OF LOCAL AUTHORITY RATES (POLAR)

Introduction

The Valuation Office Agency (VOA) is responsible for administering the POLAR scheme on behalf of His Majesty's Government. The Chief Executive Officer of the VOA is the Accounting Officer for POLAR. The POLAR accounts are included within the HMRC consolidated financial statements are audited as part of the overall HMRC audit. It does not form part of the VOA accounts and is not audited as part of the VOA audit. Therefore, the following information has not been subject to audit.

Background

POLAR is a scheme by which local authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a diplomatic mission or international organisation with diplomatic status. In accordance with the Vienna Convention on Diplomatic Relations 1961, Diplomatic Privileges Act 1964 or relevant Statutory Instrument, diplomatic missions and international organisations are exempt from all national, regional and municipal dues and taxes in respect of premises of the mission, other than such as represent payment for specific services rendered.

Under the scheme, diplomatic missions and international organisations are required to contribute an amount known as the Beneficial Portion. This is to take account of the extraneous services rendered, such as the fire services and street lighting. The Beneficial Portion was set at 6% of the overall rates bill.

VOA Responsibilities

The VOA administers the POLAR scheme. Essentially the VOA's role is to liaise with local authorities, diplomatic missions, international organisations and the Foreign, Commonwealth & Development Office (FCDO).

The VOA pays 100% of the rates liability to the local authorities and then seeks to recover the Beneficial Portion from the mission or organisation. If a mission or organisation falls into arrears then the FCDO will remind them of the legal requirement to pay the Beneficial Portion.

Fact and Figures

	2021-22 £m	2020-21 £m
Payments made to Local Authorities	82.5	80.2
Less invoices raised for Beneficial Portion	(4.4)	(4.5)
POLAR net funding	**78.1**	**75.7**

The numbers above are reported in HMRC accounts.

In 2021-22, there were 187 diplomatic missions in London, plus 37 Consulates outside of London and 38 International Organisations. There are 13 non-UK based organisations. There are 4 consulates in Northern Ireland. Rateable values ranged from less than £520 to £12.95 million. A total of 33 local authorities are involved in the POLAR scheme, with 11 in Central London.

GLOSSARY

Amortisation
This is the method of spreading the cost of using a non-current intangible asset over its useful life.

CFER (Consolidated Fund Extra Receipts)
This is income which the agency is not entitled to retain and it is passed over to HM Treasury.

Check
A review by the ratepayer or their representative of the information held by the VOA for their property. They confirm the accuracy of the facts on which the rating list entry is based, provides missing factual information and amends property details as necessary.

Challenge
The ratepayer or their representative can challenge any valuation related to the same property within four months of the check completion. Interested parties can also make a challenge if the VOA has not completed the check after 12 months. If the challenge is about a change in the surrounding area (known as a material change of circumstances), then the challenge can be made either within four months after the check completion or within 16 months of the check confirmation.

Challenge outcomes (resolved)
Resolved challenges may be either:

Agreed
This is where challenges are resolved with an outcome of well-founded or agreement reached. Well-founded is an outcome where the VOA agrees with the proposed alteration to the list and the date from which the proposed alteration should take effect. Agreement reached is an outcome where the VOA and the ratepayer or their representative come to an agreement which is different to the proposed alteration of the list and/or the date from which the proposed alteration should take effect.

Disagreed
This is where challenges resolved with a considered decision, which is where the VOA and the ratepayer or their representative cannot agree the proposal, so the VOA issues its decision that may or may not result in an alteration to the list.

Consolidated Fund
The Consolidated Fund is the government's general bank account at the Bank of England. Payments from this account must be authorised in advance by the House of Commons.

Contingent liabilities
These are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the agency's control. An example is legal action where the agency may need to pay legal costs if it loses the case. These are not disclosed when disclosure could seriously prejudice the outcome of legal claims against the agency.

Current asset
This refers to cash and any other entity asset that will be converting to cash within one year from the agency's reporting date.

Current liabilities
This refers to an obligation that is due within one year of the agency's reporting date.

Deferred income
This is cash received in the current year that relates to income for future accounting periods.

Depreciation
This is the method of spreading the cost of a non-current tangible asset over its useful life.

FReM (Financial Reporting Manual)
This is HM Treasury's guide to preparing government annual report and accounts.

IAS (International Accounting Standard).
Accounting standards which government departments must comply with where relevant.

IFRIC (IFRS Interpretations Committee)
This committee develops guidance on appropriate accounting treatment of particular issues. Government departments must comply with this guidance where relevant.

IFRS (International Financial Reporting Standards).
Accounting standards which government departments must comply with where relevant.

Intangible assets
These relate to non-physical assets, for example developed computer software and website development costs.

Losses
Examples of losses include overpayments of salary due to miscalculation, misinterpretation, or missing information and fruitless payments. Fruitless payments are a loss from which a liability ought not to have been incurred, or where the demand for the goods and service in question could have been cancelled in time to avoid liability.

MCC (Material Change of Circumstances)
As referenced above under challenge; these are a particular type of challenge case which relate specifically about a change in the surrounding area which the requestor believes has had a material impact on rateable value.

Non-current assets
An asset that is not likely to convert to cash or cash equivalent within one year of the agency's reporting date.

Non-current liabilities
A liability not due to be paid within one year of the agency's reporting date.

Payables
These are amounts recognised as owing by the agency at the end of the reporting period but payment has not been made.

PFI (Private Finance Initiative)
This is a way of creating 'public-private partnerships' (PPPs) by funding public infrastructure projects with private capital.

Provisions for liabilities

These are recognised when the agency has a present legal or constructive obligation as a result of a past event, it is probable that the agency will be required to settle that obligation and an amount has been reliably estimated.

Receivables

These represent all amounts recognised as owing to the agency at the end of the reporting period. A proportion of the receivable balance relates to revenue that is not yet overdue for payment.

Statement of Cash Flows

A statement that reports the cash flows during the financial year from operating, investing and financing activities.

Statement of Changes in Taxpayers' Equity (SoCTE)

A statement which explains the movements in the agency's net assets between the start and end of a financial year.

Statement of Comprehensive Net Expenditure (SoCNE)

This is the performance statement, the equivalent of the 'Profit and Loss' Account and Statement of Total Recognised Gains and Losses. It reports a summary of the agency's income and expenditure for the financial year, along with its gains and losses.

Statement of Financial Position

A statement which provides a snapshot of the assets and liabilities of the agency as at the end of the reporting period.

Technical Debt

This refers to IT infrastructure that has not been updated, old services that have not been retired and builds that have not been completed resulting in an IT estate that is expensive to run, inflexible and increasingly out of date.

ISBN: 978-1-5286-3748-0
E-Number: E02811990